

Country	Capital	Population	Area
Algeria	Algiers	24,000,000	238,000
Argentina	Buenos Aires	34,000,000	2,780,000
Australia	Canberra	18,000,000	7,740,000
Belgium	Brussels	10,000,000	30,500
Canada	Ottawa	33,000,000	9,970,000
Denmark	Copenhagen	5,000,000	43,000
France	Paris	60,000,000	543,800
Germany	Berlin	61,000,000	357,000
Greece	Athens	10,000,000	113,500
Hungary	Budapest	10,000,000	93,000
India	New Delhi	850,000,000	2,973,000
Italy	Rome	57,000,000	301,300
Japan	Tokyo	123,000,000	377,800
South Korea	Seoul	43,000,000	100,000
Spain	Madrid	40,000,000	505,000
Sweden	Stockholm	8,000,000	45,000
Switzerland	Bern	6,000,000	41,300
Taiwan	Taipei	20,000,000	36,100
Thailand	Bangkok	60,000,000	513,000
UK	London	57,000,000	244,800
USA	Washington	250,000,000	9,833,000

EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

EARTH SUMMIT

Life, the universe  
and everything

Page 12

Newspaper of the Year

Monday March 2 1992

Φ D 8523A

## World News

## Business Summary

### IRA pledges to disrupt UK election with more violence

The Irish Republican Army said it planned further violence to disrupt this year's British general election, following the admission that it planted three bombs in London.

Two exploded on Friday and Saturday injuring a total of 29 people. Yesterday a third bomb spotted near a north London soccer stadium was defused just hours before an estimated 30,000 people were due to watch a cup semi-final. Fresh moves to restart Ulster talks, Page 5

### Candidates go to church

The leading US presidential candidates went to church yesterday to scavenge for votes before tomorrow's crucial round of primaries and caucuses. Clinton faces first real test, Page 14

### Russia presses Libya

Russian foreign minister Andrei Kozyrev urged Libya to hand over to the United Nations secretary-general two Libyans accused of bombing a Pan Am jet over Lockerbie in Scotland in 1988 with the loss of 270 lives, Page 4

### Independence poll

The leaders of Bosnia-Herzegovina claimed victory in an independence poll at the weekend, prompting fears that violence could erupt soon between the three main national groups in the republic, Page 14

### Saudi political move

King Fahd, Saudi Arabia's head of state, announced the formation of a 60-member consultative council and a new "basic law" in the first moves towards broadened political participation in the kingdom in 30 years, Page 14

### Armenians accused

Azeri refugees accused Armenian militants backed by Russian soldiers of killing hundreds in the disputed enclave of Nagorno-Karabakh, Page 2

### Niger shooting

Shooting broke out in Niger's capital as rival groups of soldiers tried to take control of the national radio, residents said, Page 3

### Café collapse kills 14

At least 14 people were killed and 14 more feared buried under the rubble of an Arab East Jerusalem coffee house which collapsed on Saturday, Page 1

### Cannabis calls rejected

The German government has rejected calls to legalise cannabis, despite a controversial court ruling that laws banning the use of soft drugs may be unconstitutional, Page 1

### Earth summit plans

Plans for this year's Earth Summit enter a critical stage today as representatives of over 180 countries gather to complete an agenda for the June meeting in Rio de Janeiro, Page 4

### Legion's ranks rise

Impoverished east Europeans and citizens of the former Soviet Union are flocking to join France's elite Foreign Legion in search of a life of adventure, Page 14

### Anger over IBM stance on rebuilt computers

The computer leasing industry is angry over objections by International Business Machines, world's largest computer manufacturer, to non-IBM parts being used in rebuilt mainframe machines.

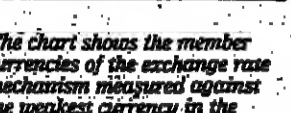
Companies fear the move will push up the price of used IBM equipment.

Page 14

### EUROPEAN Monetary System

A cut in the key Spanish intervention rate failed to dislodge the peseta from its position at the top of the EMS grid.

Sterling stayed close to the bottom of its 6 per cent band against the peseta, leaving little room for a UK interest rate cut. Currencies, Page 25



The chart shows the member currencies of the EMS against the Deutsche Mark (DM) as of February 28, 1992. The chart shows the relative positions of various currencies within the EMS grid.

McDONNELL DOUGLAS, US aircraft maker, is having difficulty selling 49 per cent of its commercial aircraft business to Asian partners. This raises doubts over the development of a 350-400 seat jumbo aircraft, the MD-12, Page 15

GRUPO Financiero Bancomer, Mexico's second largest bank, is to offer \$600m of its stock in the US and European markets, Page 17

FEDERAL RESERVE Bank of New York has said that securities firms which meet its capital standards will be allowed to trade directly with its foreign exchange desk, Page 17

UK INSURANCE: Payments for theft rose by more than 50 per cent for domestic properties and 20 per cent for commercial premises to a total of more than \$200m (\$1.4bn) last year, Page 5

PORSCHE chief executive Arno Bohn said the luxury sports car company faced hard times but would make a profit this financial year, Page 17

NOKIA, leading Finnish electronics and telecommunications group, posted a \$M334m (\$72m) loss before financial items last year, compared with a \$M711m profit in 1990, Page 17

HILLSDOWN HOLDINGS, diversified UK food group, is preparing to sell part of Fairview New Homes, its housing subsidiary, in a flotation that could fetch £100m (£175m), Page 18

INTERNATIONAL PAPER, US paper group, is to buy 11 per cent of Sotex, Israeli manufacturer of computer imaging equipment, for \$208m, Page 17

## Gulf war allies step up campaign against Saddam

By Our Foreign Staff

THE US, Britain and France are intensifying pressure on Iraq to comply with United Nations resolutions requiring the elimination of its weapons of mass destruction, hinting strongly that further military action may be taken if Baghdad fails to comply.

The Gulf war allies are at the same time hoping to raise domestic pressure on Mr Saddam Hussein, the Iraqi president, and if possible topple him, by harnessing opposition discontent with his regime.

Mr Douglas Hurd, the British foreign secretary, underlined mounting frustration with Iraq's prevarication over meeting UN ceasefire terms, saying on British television yesterday: "We do not rule out going back to military action."

His remarks followed those on Saturday from Mr Thomas Pickering, the US delegate to the Security Council, who read a statement in the name of the council's 15 members warning that Iraq "must be aware of the serious consequences of continued material breaches of UN orders."

The US is insisting that Iraq must send a high-level delegation to New York by a week today to discuss the destruction of missile-related materials and has hinted that military action may follow if Baghdad fails to comply with UN resolutions.

The US has 25 naval ships, including two aircraft carriers,

still in the Gulf and more than 200 combat aircraft in the region should a military option be chosen. "We're flying planes up and down the Gulf every day to maintain our readiness," Rear Admiral Raynor A.K. Taylor, commander of US Naval Forces Central Command, said at the weekend.

The US is placing priority on obtaining Iraqi co-operation with UN inspection teams charged with checking the destruction of Baghdad's weapons programmes.

The confrontation with Iraq flared over Iraq's refusal on Friday to follow orders from the latest UN team of ballistic experts to destroy manufacturing equipment for Scud missiles.

The UN team withdrew from Baghdad in protest on Saturday and is in Bahrain preparing a report which will present this week to the UN special commission charged with overseeing the destruction of Iraq's weapons. Other UN teams, charged with destroying chemical weapons, remain in Iraq and a further team of nuclear inspectors is due to arrive in Baghdad shortly.

Mr Christopher Holland, the British leading the ballistics team, said yesterday that his mission had been "very successful" in finding equipment used in manufacturing Iraq's long-range missiles, but that Iraqi officials refused to destroy machines they had

identified. "What we are now seeing is a repeat of what we've seen in the past - more delaying tactics," said Mr Holland.

Although Mr Holland declined to give details about the Iraqi missile equipment, he said they were machines "specifically identified with the production of missiles with ranges of more than 150km". Iraqi officials claimed the technology had civilian uses, but Mr Holland said there was no doubt that together they formed a key production line for Iraq's missile programme.

Meanwhile, Britain and France are also pushing for a new Security Council resolution instructing Mr Boutros Boutros Ghali, the UN secretary-general, to send a special envoy to examine the political situation in northern and southern Iraq. They hope such an inquiry will focus grievances against the regime within Iraq and help destabilise the government.

The US administration, while generally sympathetic, has not yet committed itself to this idea, fearing that any side-issue might help Mr Saddam avoid giving a straight answer about his weapons programmes.

However, the US is on record as wanting to see Mr Saddam toppled, and with that end in view is trying to unite the Iraqi opposition. Neither Britain nor

Continued on Page 14

## Budget boost for Indian business

By David Housego in New Delhi

INDIA'S industry and financial markets yesterday welcomed a budget which makes clear that the country remains on track to implement the most radical changes in economic policy since it became independent in 1947.

The budget marks the first substantial reduction in India's foreign-exchange controls, a milestone in opening up the country's protected economy.

As part of an effort to deter gold smuggling, the government also intends to legalise the import of gold - allowing returning Indians or expatriate Indians to bring as passengers up to 50g each.

The Bombay Stock Market climbed 173 points on Saturday after the budget to pass the 3,000 mark in late trading. That represents a 60 per cent rise since the beginning of the year.

Mr Tarun Das, director of the Confederation of Engineering Industries, said: "The budget is giving us confidence. I see no minus points."

However, the political opposition attacked the budget for doing little for the bulk of India's 850m people and for bowing to international financial institutions which have been demanding a reduction in the country's budget deficit.

India concluded a letter of intent with the International Monetary Fund last year, agreeing to a gradual but radical overhaul of the state-dominated economy in return for substantial credits. India's foreign debt stands at about \$70bn.

Mr L.K. Advani, who as head



Manmohan Singh, India's finance minister, enters parliament in New Delhi to present the federal budget

of the Hindu BJP party is leader of the opposition, said the measures lacked any worthwhile strategy to combat inflation.

Among the major changes announced by Dr Manmohan Singh, the finance minister, were:

- The partial convertibility of the rupee.
- Permission for foreign pension funds to make direct portfolio investments in India.
- The abolition of controls on Indian companies raising equity funds in the domestic market.
- A rationalisation of the income tax structure to provide three basic rates of pay-

ment - 20, 30 and 40 per cent. Holders of foreign exchange will be allowed to change 50 per cent of their foreign currency at a market rate. The remaining 40 per cent will have to be changed at the official rate.

The move will mean a depreciation of the rupee of around 9 per cent against the dollar. The foreign exchange market in India will remain closed today.

Dr Singh told parliament that the budget deficit had been reduced from 8.4 per cent of gross domestic product Continued on Page 14

Make or break budget, Page 4; Editorial comment, Page 12

## UK chancellor likely to announce tax reforms

By Philip Stephens and Alison Smith in London

MR NORMAN LAMONT, the UK chancellor, is expected to balance immediate tax cuts designed to restore consumer confidence and spending in next week's budget with a "tax manifesto" for the 1990s according to government ministers.

A budget package which maps out a long-term strategy of tax reform and offers a clear choice to the electorate was signalled by Mr Lamont's senior colleagues yesterday as the latest opinion polls underlined the scale of the task facing Mr John Major, the British prime minister, in the coming

general election.

Measures to ease the tax burden on savings - particularly those built up by the less well-off - and Mr Major's latest week's budget with a "tax manifesto" for the 1990s according to government ministers.

But there was also a suggestion that Mr Lamont could signal the eventual abolition of capital gains tax.

Their comments - a response to the opposition Labour party's charge that the government plans to use higher borrowing to "bribe" the voters with income tax

cuts - will fuel speculation that the March 10 budget will signpost a range of new measures to encourage savings, reduce inheritance tax and promote investment.

Ministers admit that they have been stung by the force of Labour's onslaught on budget tax cuts and by the link the opposition has made between lower income tax and higher public borrowing.

There is also concern that some in the Conservative party will be dismayed by a projected public sector borrowing requirement next year of more than £20bn (\$35bn).

Mrs Margaret Thatcher, the former prime minister, is known to be deeply unhappy with the sharp increase in borrowing, but has made it clear that she intends to do nothing in the campaign which could be interpreted as helping the Labour party.

The opposition has been cheered by a survey in yesterday's Sunday Times newspaper poll in a week to show a slight shift towards Labour and an increase in Liberal Democrat support.

The same poll showed a drop in Mr John Major's popularity

hailed by Labour as a sign that "the Teflon is starting to peel off". Labour has consistently sought to pin the blame for the recession on Mr Major in his roles both as prime minister and in his previous post as chancellor.

The "satisfaction index" - the difference between those satisfied and dissatisfied with a politician's performance - for the prime minister is now plus four per cent, compared with plus 13 per cent in January, but still significantly ahead of Mr Neil Kinnock, the Labour leader, whose standing is minus 18 per cent. Overall, the

survey showed Labour on 40 per cent, the Conservatives on 39 per cent and the Liberal Democrats on 18 per cent.

In a letter to constituency officers, Mr Chris Patten, the Conservative party chairman, warned party workers that "we have a fight on our hands", but expressed confidence of victory "if we defend our record, set out our vision and explain how Labour would destroy the economic prosperity on which we all depend".

Editorial Comment, Page 12; Striving for Sanctuary, Page 30

## Wellcome share offering could raise over £4.5bn

By Maggie Urry in London

AN INTERNATIONAL offering of shares in Wellcome, the drug company best known for its AIDS treatment Retrovir, that could raise more than £4.5bn (\$7.5bn) at current prices is expected this summer.

This follows a decision by Wellcome Trust, the medical research charity, to sell part of its 73.5 per cent stake in the company.

Mr John Robb, chief executive of Wellcome, said last night that the sale would help investors who had experienced difficulty buying shares because of the limited number that were freely available.

This view was echoed by Mr Paul Krikler, pharmaceutical analyst at Goldman Sachs, who said: "This sale may well go some way to satisfying unfilled investor demand."

The trust may cut its stake to only 25 per cent, in which case the sale would raise more than £4.5bn. However, the offer is subject to market conditions and to the trust gaining per-

mission from the High Court in London and the UK Charity Commissioners to reduce its holding below 50.1 per cent.

The trust aims to retain at least 25 per cent of the company as a long-term holding.

Wellcome yesterday confirmed market forecasts that its interim figures, to be announced on March 26, will show a 30 per cent rise in pre-tax profits from £181.2m to not less than £235m, on sales up from £731.5m to about £860m, a 20 per cent improvement. In its last financial year, to the end of August, the group made pre-tax profits of £402.9m.

Mr Robb said he believed the offer would enable Wellcome to build a shareholder register that more closely matched the international spread of its business. In its last financial year 44 per cent of sales and a higher proportion of profits were generated in North America, but less than 5 per cent of the shares are held there.

The trust has decided that

its stake in Wellcome, worth £7.1bn and providing 95 per cent of its income, is too great a concentration of its assets. Wellcome shares yield only 1.2 per cent and the trust aims to reinvest the proceeds of the sale to earn a higher return, so making more funds available for research. The trust is budgeted to spend £100m on research this year.

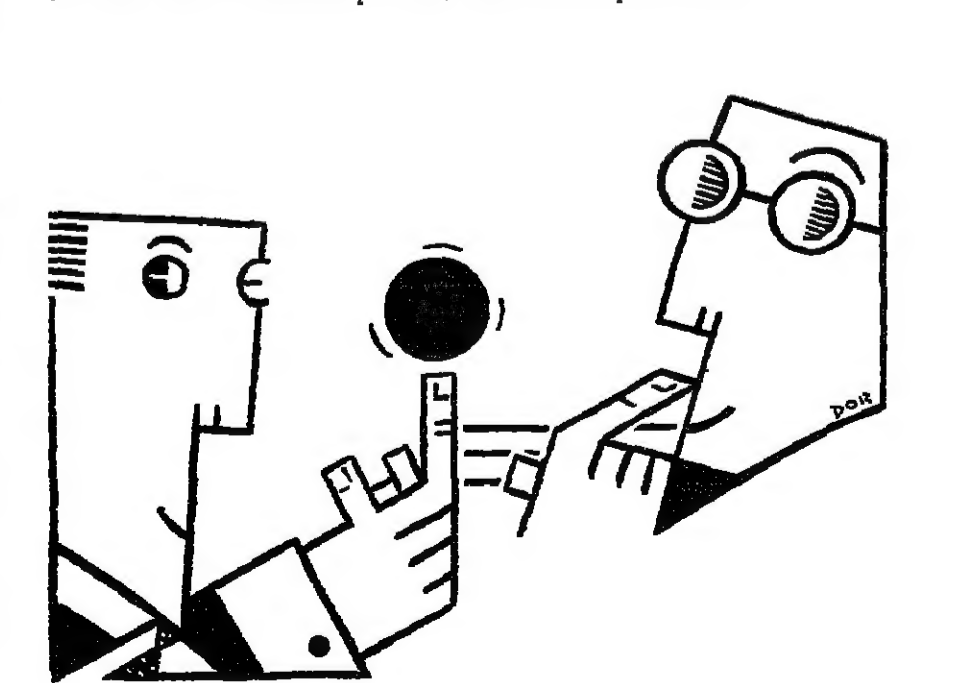
The trust had owned all of Wellcome's shares until the company was floated on the stock market in February 1986. At that time the whole company was valued at just over £1bn. On Friday's closing share price of 1,125p the capitalisation is £9.7bn.

The shares have been boosted since flotation by Wellcome's development of Retrovir, the only widely prescribed treatment for AIDS.

Robert Fleming, the London merchant bank which arranged the original flotation, will act as global co-ordinator for the offer.

## BANK ON A BANK THAT'S TO THE POINT.

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## CONTENTS

### THE MONDAY PROFILE

Jack Straw, education spokesman for Britain's Labour opposition, believes government policies have left the country with a workforce which is too narrowly trained

Page 30

International	2-4	Building Contracts	12	Financial Diary	8	Money Markets	25
Companies	15-17	Businessmen's Diary	12	Int.Capital Markets	15-19	Observer	12
Britain	5	Crossword	28	Letters	19	UK Gilt	16
Companies	16	Currencies	26	Anthony Harris	14	Unit Trusts	21-24
Arts-Reviews	11	Editorial Comment	12	Management	5	Weather	14
World Guide	11	International bonds	19	Monday Page	30		

### World trades West and East fail to make the business connection

2

### US presidential primaries: Clinton faces his first real test

3

### UK election: Ministers go in search of the elusive feel-good factor

5

### Editorial Comment: Buying voters 'prudent'; Indian budget for business

12

### European Community: When the bureaucrats are brought to book

13

### Oil industry: French Elf takes giant strides in the east

13

### French politics: Socialists count on a miracle from Jacques Delors

30

## FORTHCOMING FT SURVEYS

### TODAY:

North Oxfordshire: Taking care to attract the developments it wants.

### WEDNESDAY MARCH 4:

European Finance and Investment: Portugal: Highly vulnerable to changes in the international environment.

### FRIDAY MARCH 13:

European Property: Changes and opportunities in the main markets.

### MONDAY MARCH 16:

Nigeria: President Babangida's legacy and the challenges ahead.

### TUESDAY MARCH 17:

European Information Technology: Defining a new role in an international marketplace.

see details, right



## INTERNATIONAL NEWS

# Yeltsin gives go-ahead for air force sale

By Leyla Boulton in Moscow

MR Boris Yeltsin, the Russian president, has authorised the air force to sell 1,800 outdated military aircraft free of export tax.

The proceeds of the deals - which are to be negotiated by the air force, but vetted by the Foreign Economic Relations Ministry - are to finance housing and salary increases for servicemen.

Mr Yeltsin's decree also suggests, somewhat ambitiously, that \$500 of the total profits would be reinvested in unspecified aircraft manufacturing programmes.

Land forces have already been authorised to sell off surplus tanks and weapons.

On Friday, Mr Mikhail Malei, a presidential adviser suggested that only hard-currency arms sales could finance the conversion of the country's huge defence industry to civilian output.

The government is already actively seeking to expand arms sales to bring in badly needed hard currency. In an attempt to prevent arms falling into the wrong hands, it is setting up an inter-ministerial committee - representing economic ministries as well as the military - to supervise exports.

But there is probably little

that officials in Moscow can do to prevent the former Soviet Union from turning into a giant arms bazaar.

Other republics are determined to nationalise Red Army hardware on their territory not because they want to use it, but so that they might sell it. In the second largest republic, Kazakhstan, a commodity exchange called Pax-Alisa has announced plans to begin auctioning off SU-24 MK fighter-bombers and systems for co-ordinating land and air operations.

As a result of falling discipline and living standards, thefts of military hardware within the Red Army itself grew three-fold last year, according to the chief military prosecutor.

Georgia plans to demand a share of the Black Sea Fleet for its own coastal defence. Mr Avtandil Tskitishvili, Georgia's first deputy defence minister, said the republic expected to take over some of the vessels anchored at the ports of Poti and Ochamchire. But, unlike Ukraine, which has been arguing with Russia over the Black Sea Fleet, Georgia has no plans to demand an oath of allegiance from servicemen, even though its ultimate aim is to have its own armed forces.



## AZERIS CLAIM ARMENIANS BACKED BY RUSSIAN TROOPS 'KILLING HUNDREDS'

AZERI refugees, many of whom walked for days across snow-covered mountains, yesterday accused Armenian militiamen backed by Russian soldiers of killing hundreds in the disputed enclave of Nagorno-Karabakh, Reuters reports from Agdam, Azerbaijan.

Relatives of the dead, led by women beating their breasts and scratching their faces in grief (pictured above at the funerals yesterday), burst into a government guest house in Agdam to demand that steps be taken to evacuate corpses from Khojaly, another Azeri

stronghold just inside Karabakh. The mob, about 50 strong, joined several hundred more refugees milling through the streets, where red, green and blue Azeri national flags were draped with black ribbons.

"Help us. You must do something," screamed one woman who said her husband and two sons were killed when Armenians seized Khojaly last week.

The Azeri government, which has declared a three-day mourning period, said more than 1,000 people were killed in the attack on Khojaly, a town of

about 10,000 people. Armenia put the casualty figure much lower, and said the Armenian population of Karabakh has been forced to defend itself from Azeri attacks.

"This is a gross exaggeration. The figure could be nowhere near 1,000," said a security official in the Armenian capital Yerevan.

Azeri television showed truckloads of corpses being evacuated from the Khojaly area. The report said many of the victims

had suffered serious injury.

In the past four years of undeclared war over the Transcaucasian territory, more than 1,000 people have been killed.

Nagorno-Karabakh is populated by Armenians but has been administered by Azerbaijan since 1923.

Military commanders in Moscow have repeatedly denied that their men are involved in the Azeri-Armenian conflict and on Friday ordered them out of the enclave.

## EC call to back CIS reforms

A Senior European Community official has warned that the world is running short of time to rescue reform in the former Soviet Union, Reuters reports from Brussels.

Mr Frans Andriessen, EC commissioner for external relations said: "I am afraid we do not have much time left. We should learn something from what happened to ousted President Mikhail Gorbachev."

Speaking on his return from a tour of four former Soviet republics, Mr Andriessen said he might urge the relaxation of conditions which have held up a Ecu 1.25bn (\$1.6bn) EC loan

to supply food and medicine, making it "to some extent a gift".

Mr Andriessen will brief EC foreign ministers in Brussels today about his tour of the Commonwealth of Independent States, during which he heard several warnings of the risk that economic chaos, especially in Russia, might lead to dictatorship.

Mr Andriessen dropped Russia from his week-long tour to Belarus, Ukraine, Uzbekistan and Kazakhstan because President Boris Yeltsin was not available to meet him.

He said an international com-

ference on the CIS in Lisbon in May must launch a more comprehensive policy than what he called "piecemeal" efforts so far if the world wanted to avoid having to arrange new emergency relief next winter.

New aid might be needed to shore up the reformers' position even before May, but it was unlikely to be forthcoming until publication of an International Monetary Fund report on the CIS economy.

He said CIS member states would send a "positive signal" if they co-ordinated monetary policy, set up a rouble zone and avoided trade barriers.

## Le Pen rally cancelled

MR Jean-Marie Le Pen, leader of France's extreme right-wing National Front (FN), has been ordered to call off a weekend rally in Corsica because police said they could not guarantee his safety, writes William Dawkins from Paris.

Mr Le Pen criticised the decision, by the state's senior representative in the region, as "democratic harassment" and accused the government of being in "connivance" with Corsican separatists. Seven policemen were wounded in scuffles in Ajaccio, as Corsican separatists clashed with 150 FN supporters.

## Single market still long way from reality, study finds

By John Thornhill

THE creation of the single market is still a long way from being realised according to a new study\* of the European distribution and logistics industry which reveals big differences in comparative costs and practices.

The distribution sector, has traditionally been viewed as being at the leading edge of an integrated European market, but the report found there were still considerable barriers to a free flow of goods across

France and Ecu365 (£260) in Italy. Vehicle excise duties also showed great differences. The EC has been trying to harmonise taxation policy, but is making slow progress.

When total logistics costs were measured as a percentage of sales there was a marked difference between the Netherlands, at 4.62 per cent, and France, at 7.22 per cent.

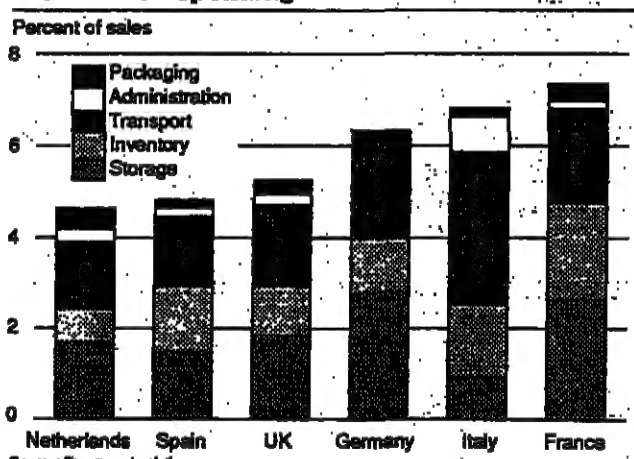
Mr Tony West, of Touche

Ross, the management consultancy which helped prepare the report, said UK companies had not established a clear cost advantage in the logistics field.

The study covered 886 companies in Germany, Spain, France, Italy, UK and the Netherlands.

\*European Logistics: Comparative Costs and Practices. Institute of Logistics & Distribution Management, Douglas House, Queens Square, Corby, Northants, UK. £95

### Distribution spending



## UK stays away from E Europe

By Judy Dempsey

BRITISH companies may change their attitudes towards doing business in eastern Europe and the CIS, but the UK remains a long way from being a leading player in the region, according to a new study by the EEC.

Mr Norman Wooding, chairman of the London-based East European Trade Council (EETC), said: "Despite the revolutions of 1989, the British are not doing business with eastern Europe or the CIS."

Mr Wooding, a former director of Courtaulds, which ventured into the Soviet market in the 1950s. "The opportunities are enormous, but we are not taking advantage of them," he added.

Certainly, the political instability in the CIS acts as a deterrent for UK companies. Mr Janek Geller, managing director of Golodetz (Overseas), a family firm which first started trading with Russia in 1921, says confidence has been further dented by the failure of Russian enterprises to meet their payments.

"Payments can no longer be guaranteed," he said. Officials at the EETC estimate that outstanding payments due by former Soviet firms to British companies total £2bn.

The break-up of the Soviet Union has also disrupted links between traditional trading partners. The foreign trade organisations, which acted on behalf of Soviet enterprises have disappeared.

Shipping goods in and out of the CIS is another problem. "You can no longer be sure if you can move goods across from one republic into another. The republics are putting up

their own trade barriers, and have different currencies," Mr Geller explained.

Mr Wooding from the EETC says the CIS is likely to attract the big companies, particularly the oil conglomerates. "It's a vast market. Only 3 per cent of the identified oil reserves have been extracted; only 5 per cent of gas reserves. What are UK oil companies waiting for?"

Officials at Britain's Department of Trade and Industry (DTI), point out that many British companies are waiting for the CIS to draw up legislation on foreign investment, property rights and repatriation of profits. In addition, UK companies are waiting for the CIS to set up a credit guarantee system.

Earlier this month, the EECG made £280m available for medium-term export credit cover, and investment insurance for Russia and other republics. But the release of credit is conditional upon all the CIS republics adopting IMF-backed reforms. They must also be up-to-date in their existing debt obligations. In eastern Europe, the EECG provides cover for only Hungary and Czechoslovakia.

UK companies interested in trading with the CIS and eastern Europe are impatient with the EECG's cautious approach. "EECG cover is hedged with restrictions, and their premiums are too high," an official from the EETC said.

"Their premium is 50 per cent higher than other countries in Europe. UK companies are forced to add the EECG premium on to their prices. How can we be competitive?"

Mr Michael Cooper, who now runs a consultancy company, was instrumental in getting Lee Cooper jeans into eastern Europe in the 1970s. He believes that the EECG's premiums, coupled with the credit squeeze by British banks, are inhibiting UK companies from venturing into eastern Europe.

"The really determined ones," he says, "simply by-pass British financial institutions and go to Vienna or Frankfurt to seek financing."

Mr John Busby of APV Baker, a British food processing company which has been trading with the Soviet Union since the 1970s, says German and Austrian banks understand industry's needs better than their UK counterparts. "The Germans, whose trade

## Ukraine takes step towards own currency

By Chrystia Freeland in Kiev

THE Russian rouble yesterday ceased to be accepted by the Ukrainian state sector for cash transactions.

Salaries are to be paid primarily in Ukrainian coupons which have effectively become a separate currency - and all purchases from state sectors must be made through coupons or rouble savings in bank accounts.

Ukrainian media announced over the weekend that as of March 1, 75 per cent of wages will be paid in coupons and the remainder will be deposited in workers' rouble bank accounts. All purchases in the state shops of less than R50,000 are to be made in coupons. Larger transactions cannot be made in cash, but must be paid through bank transfers.

Moreover, the wholesale sector, which previously operated in roubles, is to switch to coupons.

The measures are a reaction to Ukraine's critical shortage of roubles and are in preparation for the introduction of a fully separate Ukrainian currency, the hryvnia, scheduled for this summer.

In January, western experts criticised the parallel use of coupons and roubles, and recommended that coupons be made the principal currency. On the Ukrainian political front, Rukh, the mass-nationalist movement which played a key role in Ukraine's drive for independence, narrowly avoided a schism.

Most delegates supported former dissident Mr Vyacheslav Chornovil and his view that Rukh should become a political party opposing ex-Communist President Leonid Kravchuk.

To avert a split, Mr Chornovil's faction compromised with supporters of incumbent Rukh president, Mr Ivan Drach who favours close co-operation with President Kravchuk.

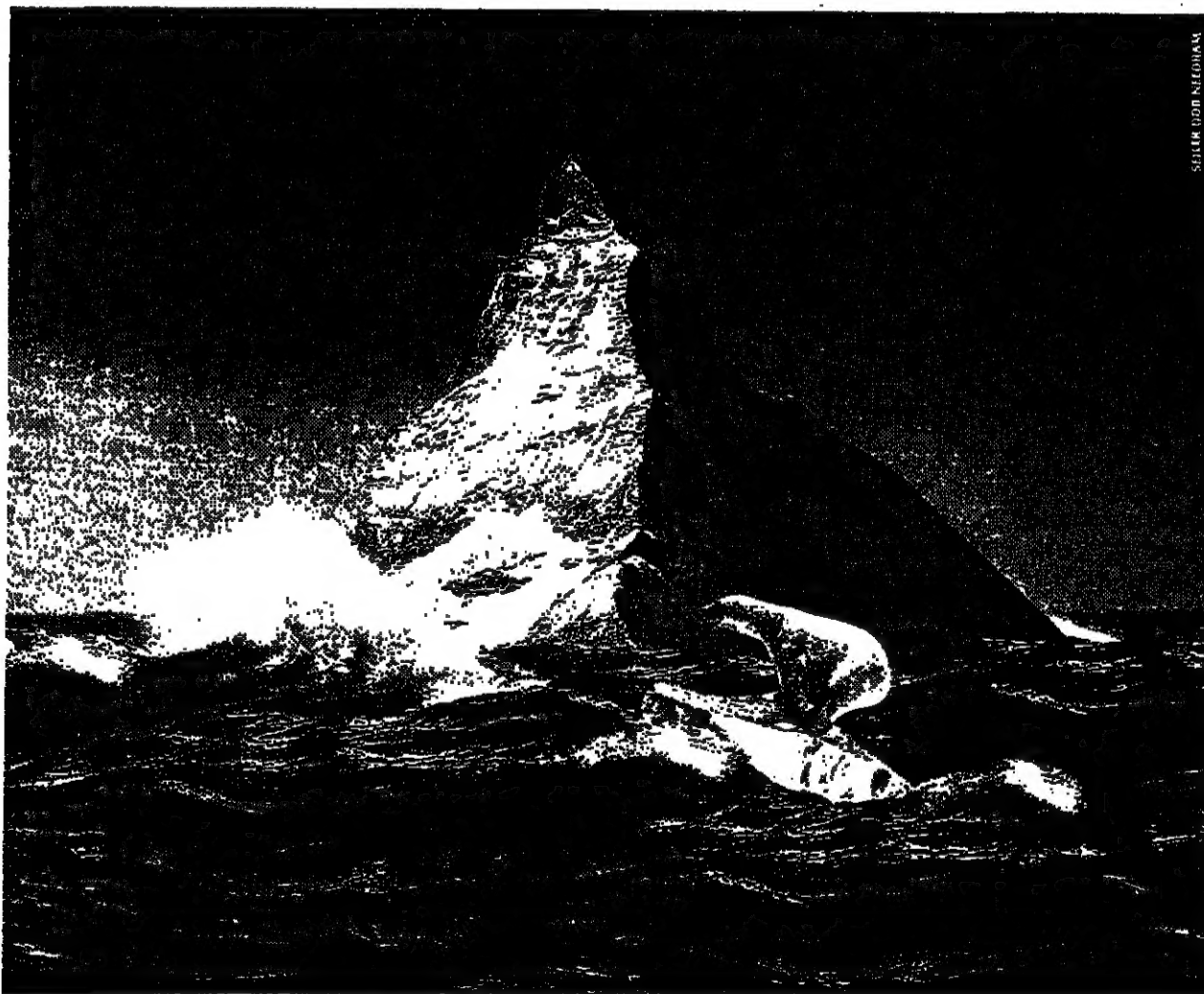
The slow pace of economic reform in Ukraine was one of the issues behind Rukh's congress held over the weekend. The movement's leadership advocated wholehearted support for President Kravchuk and enthusiastically applauded him when he addressed the delegates.

But fearing that blind loyalty to Mr Kravchuk could create a "Ukrainian Albania", most delegates sided with Mr Chornovil who argued that Rukh should push for economic reform more radical than that proposed by the Kravchuk administration.

To prevent a rift, a triumvirate of Mr Chornovil, Mr Drach and his ally, Mr Mikhail Horyn, was elected to lead Rukh.

It will not become an opposition party but it did adopt a resolution vowing "to oppose the president whenever he departs from Rukh policy."

The party also voted in favour of Ukraine leaving the Commonwealth of Independent States.



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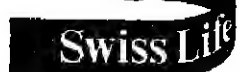
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## INTERNATIONAL NEWS

Two Democrats in the race for presidential nomination have their best chance to shine in primaries tomorrow in Georgia and Maryland  
**Clinton faces his first real test Apathy puts Tsongas ahead**

By George Graham in Washington



**Bill Clinton** faces the first real test of his campaign in Georgia tomorrow.

While he is widely regarded as the Democratic front-runner for the presidential nomination, Mr Clinton is the only one of the four major candidates who has not yet won a state.

Expectations have been raised so high that he must now not only win in Georgia, but win convincingly if he is to shake off worries over how much his campaign has been damaged by questions about his marriage and his position during the Vietnam war.

The newly anointed governor begins with the advantage of long-standing ties to Georgia's top Democratic politicians, many of whom joined him on the Democratic Leadership Council, a moderate policy group which Mr Clinton chaired until last year.

He has been endorsed by Senator Sam Nunn, Georgia's

senior senator, as well as by Governor Zell Miller, Lieutenant Governor Pierre Howard and most of the state legislature.

Mr Doug Teper, a Democratic state representative, warns that Mr Paul Tsongas, who won the New Hampshire primary last day ago, and the other candidates are still unknown in Georgia.

"The truth is, this is Clinton territory," he said.

Mr Teper also notes that Mr Clinton's support among black politicians should ensure him an overwhelming majority of black votes, which could make up 27 to 30 per cent of the March 8 primary turnout.

After ballots in four states where blacks make up barely 1 per cent of the population, Georgia and Maryland will be the first states with significant black populations to vote in this year's presidential nominating process.

Mr Andrew Young, former US ambassador to the United Nations and mayor of Atlanta, agrees that Governor Clinton should win the support of most black voters.

But Mr Ed Brown, executive director of the Voter Education Project, an Atlanta-based foundation, warns that none of the candidates has made the concerted effort to register black

voters that marked the campaigns of the Rev Jesse Jackson in 1984 and 1988.

"Much of the black leadership has made its choice, but oftentimes there's a gulf between what the leadership says and what the masses do... it's not a matter of whether he garners the black vote, it's a question of how much," he warns.

Senator Bob Kerrey of Nebraska, fresh from his victory in this week's South Dakota primary, has now launched his Georgia campaign with a less than heroic assault on Governor Clinton's Vietnam draft history - an issue he said two weeks ago should not be relevant in the campaign.

Some political commentators have suggested that these questions may resonate more in the socially conservative and militaristic south than they have done in the north, but voters encountered at random in Georgia showed little interest either in what Mr Clinton did during the Vietnam war or in his marriage.

"People like my parents couldn't imagine someone not trying to get out of the war," said Miss Megan Lee, a student in the university town of Athens.

"They can drop all that on him, that man ain't dead yet,"

said Mr Ben Rutland, an unemployed maintenance man in Forsyth, a rural town south-east of Atlanta.

Outside Atlanta, few Georgians have any awareness of the election campaign or any knowledge of the candidates. In this vacuum, the tabloid stories that have dogged Governor Clinton's campaign may be the only message that sticks in voters' minds.

"They pop up, these people that never existed before, and all you've got on them is the dirt the other side pulls up," said Mr Clay Owens.



Bill Clinton: has not yet won a state

By Nancy Dunne

**MARYLAND** promoters portray their state as a microcosm of the US. Neither northern nor southern, it has a population of 4.7m spread over mountains, swamp, seashore, cities, and suburbs.

It has farmers, fishermen, blue collar and high technology workers, a large number of government employees and professionals, minorities and ethnic - the common thread being that most will not vote in next Tuesday's presidential primary.

In fact, most do not know there is a primary.



Paul Tsongas: Promises to curb give-aways

The beneficiary of the voters' apathy and ignorance is likely to be former Senator Paul Tsongas, a self-styled pro-business liberal and the Democrats' winner of the New Hampshire primary. Ahead in the polls, he sees the state as his best opportunity to demonstrate appeal outside his native New England. Marylanders, who have paid attention enough to know him, perceive him as a straight-talker - even if the message he carries is one of gloom. ("The Cold War is over; Japan and Germany won.")

Mr Tsongas promises to rebuild the country's manufacturing base and curb government give-aways. He has also attracted hundreds of committed campaign workers, like Mr Jeffrey Cohen, a realtor, driven into campaigning for the first time in his life by the "lousy" business conditions.

"I like his whole perspective," says Mr Cohen. "The country has to make basic, structural changes, and he understands that. Tsongas is credible. He worked in the private sector six years. He served in the Peace Corps. That represents a certain type of mentality you have for life."

In large states, where campaigns must be conducted mostly by television, charisma may sway the voters. Not in

Maryland, where forthright pragmatism comes over well at a time when politicians are greatly distrusted.

Mr Keith Haller, a Maryland pollster, believes only about 15 per cent of the 2.1m registered voters will cast ballots. The economic pain and anger which brought out more than half the eligible voters in the New Hampshire primary is muted in Maryland, the fifth richest state per capita, where unemployment is below the national average.

The national job trends have created an amorphous insecurity and pockets of real hardship, but that has only translated into political awareness among affluent and older voters and party activists. The former are expected to go for Mr Tsongas. The latter will be mobilised by party organisations, political clubs, labour unions, and churches and many of them will go for Governor Bill Clinton, who is particularly strong among black voters, who make up 26 per cent of the state.

The "character issue" which so absorbs the political pundits in their endless debates over Governor Clinton's rumoured womanising and alleged draft dodging means little in a community devastated during the 1980s by low-skilled job

losses, crime and drugs.

Mr Clinton has won the support of the black churches and at a recent rally he was endorsed by the popular Baltimore Mayor Kurt Schmoke. "We want a man who gives us hope. The nation cries out for leadership that is concerned and caring," intoned the Rev Marion Bascom, one of the city's most influential ministers at a recent Clinton rally.

Mr Clinton responded with appropriate fervour, calling for a "new covenant" between disheartened Americans and their government.

He has been urged to devote more resources to Maryland to challenge Mr Tsongas, who would then have difficulty winning elsewhere. But Mr Clinton - and the voters - have been distracted by an increasingly nasty turn in the campaign which has forced him to focus his energy on his base of support for the March 10 "Super Tuesday", when most of the southern states will hold primaries.

There he must respond to charges by Nebraska Senator Bob Kerrey that the "character issues" have made him unelectable against President Bush. There he must win big before the campaign surges north a week later into Michigan and Illinois.

**Niger soldiers ousted from radio station**

**MUTINIOUS** soldiers briefly seized control of the state broadcasting centre yesterday for the third time in three days, but were ousted by other soldiers who said they had put down a coup attempt, AP reports from Niamey, Niger.

Soldiers drove around the city, firing into the air and frightening people off the streets, but there were no reports of injuries.

Earlier, thousands of pro-democracy protesters, selling anti-French slogans, demonstrated against the soldiers' revolt, which they said Paris supported, and the main trade union called a general strike.

Some 10,000 people gathered in the capital of the former French colony in West Africa, denouncing the soldiers and demanding they not interfere with an interim government's plans to instal democracy and end 16 years of military dictatorship.

The situation was confused yesterday and it was not clear who took over the radio station.

Upgraded troops first revolted on Friday, seizing the broad-

casting centre twice and kidnapping two high-ranking government officials. However they returned to their barracks and freed the hostages after the government promised to pay up.

Niger's 3,200 soldiers are among 40,000 government workers who have not been paid for two months. When the interim government took over last year it inherited a bankrupt economy.

Yesterday, a group of soldiers took over the station and broadcast demands that the government pardon a captain accused of massacring Tuareg nomads. They said they would not allow Capt Malik Bouraime to be used as a scapegoat to sort out national problems.

—Capt Bouraime was jailed by the interim government, which said he was responsible for May 1990 army raid in which 68 Tuareg nomads were executed.

Two hours later, another group of soldiers were broadcasting on the station, trying "all military to immediately return to their barracks." This group claimed to have "put down real coup plotters".

**Pérez faces pressure to resign**

**By Joseph Mann in Caracas**

**POLITICAL** pressure is mounting in Venezuela for President Carlos Andrés Pérez to resign, and for his three-year-old government to take other radical measures aimed at reforming the country's democratic system.

Former President Rafael Caldera, founder of the principal opposition political party, the Christian Democrats called on Mr Pérez to step down in order to help resolve Venezuela's "crisis".

At the same time, the country's second largest opposition group, the socialist party MAS, also said the president should resign.

Mr Pérez, whose government is not scheduled to leave office until February 1993, said in a nationwide radio and TV broadcast at the weekend that he had no intention of leaving his post.

The calls for Mr Pérez to resign came just over three weeks after loyal units of the Venezuelan armed forces quashed an attempted coup by heavily-armed army units.

They also came on the heels of other demands for the resignation of the the Supreme Court and for a referendum leading to a new constitution.

**Politicians reach deal on Quebec**

**By Bernard Simon in Toronto**

**CANADA'S** three main political parties have agreed on constitutional proposals aimed at forestalling a break away by French-speaking Quebec.

The package drawn up by a 30-member parliamentary committee after five months of cross-country hearings provides for the transfer of various powers from the federal government to Quebec and to other provinces which want them. Quebec would also gain a veto over future changes in the constitution.

To mollify other provinces, the committee has proposed turning the upper chamber of parliament, the Senate, from the appointed to an elected body with limited veto powers and wider representation from western and Atlantic Canada.

New measures are suggested to accelerate the lowering of pervasive non-tariff trade barriers between the provinces.

The committee's report will form the basis of complex negotiations in coming months between the federal government, Quebec and the other nine provinces.

—Brian Mulroney, prime minister, aims to finalise the "offer" to Quebec within the next six months.

**Former CenTrust chief indicted on fraud counts**

A **FEDERAL** grand jury has indicted Mr David Paul, the former CenTrust Savings Bank chairman, on fraud charges arising from a \$25m securities deal involving an investor linked to the former Bank of Credit and Commerce International, AP reports from Miami.

Mr James McDams, acting US attorney for southern Florida, announced the federal grand jury indictment against Mr Paul, who was jailed earlier this week on contempt of court charges. The indictment also listed counts of conspiracy and other crimes.

Mr Paul has been charged with conspiracy to defraud the US, making false statements, misapplying \$25m in funds and allowing false entries to be made in CenTrust records.

Also charged in the 22-count indictment were Mr Ghaith Pharaon, former CenTrust shareholder, and Mr William Christopher Barry, a former senior executive vice president in charge of the failed thrift's investment department, Mr McDams said.

Federal authorities have said Mr Pharaon acted as a secret front man for BCCI.

## WORKING WITH AN INTEGRATED EUROPE

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**Prospering from Change**

*Among Japan's leading Sogo Shosha, C. Itoh stands alone. Not only is it Japan's largest trading company in terms of revenue—total trading transactions for its 1991 business year reached ¥21,300 billion—but, in its global business operations, C. Itoh has succeeded in areas few of its competitors have had the courage even to challenge. Company president Minoru Murofushi discusses some of his company's achievements.*

By Russell McCulloch



Mr. Minoru Murofushi, President C. Itoh &amp; Co. Ltd.

**McCulloch:** During C. Itoh's last business year, offshore transactions as a proportion of total transactions rose from 25 per cent to over 34 per cent. How was this remarkable growth achieved?

**Murofushi:** Many factors contributed to this increase, including our higher trading volume in fuels and precious metals. It is important to note that trade among other countries was worth ¥7,323 billion, and that excludes imports and exports to and from Japan. This is an increase of more than 55 per cent compared with fiscal 1989.

I was very pleased with these results. Since becoming president of C. Itoh in June 1990, I have encouraged our staff to work to make C. Itoh a 'globally integrated corporation' and this philosophy is taking root.

Last April for example, we launched a mid-term management plan called 'Global 93', through which we are restructuring our operations to expand trade-related activities—the core business for C. Itoh—but give a higher priority to external trade transactions. Our aim at the end of the three-year programme is to double our present profit. The surge in our offshore business last year shows that we are well placed to achieve this target.

This policy is also being promoted in other ways. For example, English has been formally adopted as C. Itoh's language of communication among the 203 offices we operate in 87 countries.

**McCulloch:** This relates to personal communication. But I understand that C. Itoh is also focusing on other aspects of communications, and especially telecommunications, as a new core business. Why is a trading company becoming involved in satellites and the entertainment industry?

**Murofushi:** You're referring to our most recent activities with Cable and Wireless, Hughes Communications and Time Warner, but C. Itoh has been interested in the broad area of communications for more than 20 years. One of our affiliates, called the CRC Research Institute, was the first company to introduce supercomputers from the U.S. to Japan and was a pioneer in the area of computers and software focusing on applications in the communications field.

More recently, as you know, C. Itoh has expanded the scope of its interests. We are partners with several companies,

including Toyota Motor and Cable and Wireless of the U.K., in a joint venture called International Digital Communications Inc. (IDC), which is offering international telecommunications services.

IDC's operations have recently expanded to include 39 countries. Its services have been upgraded with the laying of an undersea fibre-optic cable in the North Pacific, which began operating last May with a volume equivalent to 17,010 phone lines.

Our decision to acquire a 40 per cent interest in Japan Communications Satellite Co., Ltd. (JC-Sat) is also proving to be wise. Backed by strong technical support from Hughes Communications, the largest American company in this area, both JC-Sat I and II are operating smoothly, and as of October 1991, 52 transponders had been contracted. Broadcasting services on JC-Sat's three channels are expected to begin in Japan this year.

And of course, last October we joined with Toshiba in a capital and business tie-up with Time Warner Inc. (TWI) in which we will invest about \$1 billion to acquire a 12.5 per cent stake in Time Warner Entertainment, which TWI is to establish.

**McCulloch:** What was the strategy behind this investment?

**Murofushi:** TWI had been looking for Japanese investors who would help it expand its operations in Japan and Asia. From C. Itoh's point of view, the entertainment industry in Japan offers very good growth potential. The entertainment industry is valued at ¥9 trillion annually in the U.S. while Japan's is only ¥3 trillion. Given Japan's population and increasing leisure time, the growth potential is enormous.

**Entertainment Holds Huge Growth Potential**

By linking up with Time Warner we will gain access to its vast experience in cable television operations through CATV and CATV's programme supplier, Home Box Office Inc. At the same time, under the tie-up arrangement, TWI will achieve a presence in the Japanese market through its 50 per cent shareholding in Time Warner Entertainment Japan, in which C. Itoh and Toshiba will together hold the remaining 50 per cent.

**McCulloch:** How does this mesh with C. Itoh's longer-term communications business strategy?

**Murofushi:** I see this agreement as opening the way for new business opportunities for C. Itoh in developing software for high-definition television (HDTV), in expanding the scope of our communications satellite business, and in selling broadcasting equipment, converters and other hardware.

Time Warner is also seeking a European partner, which could broaden our opportunities further. TWI chairman Steven J. Ross wants to establish a "global strategic alliance" and C. Itoh welcomes such an arrangement if the right parties can be found.

**Europe Offers Exciting Opportunities**

**McCulloch:** C. Itoh's involvement with one of the largest business groups in the U.S.—and the fact that your U.S. subsidiary, C. Itoh & Co. (America) Inc., contributes greatly to your total worldwide business—underscores the importance of North America as a market and source of new sales opportunities. Where does Europe rank?

**Murofushi:** C. Itoh has been in Europe for many years and sees exciting opportunities in the future. Europe has provided C. Itoh with several successful business relationships, and its importance as a market will continue to grow as E.C. Market integration gathers momentum. In the U.K., for example, we have established a joint venture company with the Dowty Group to produce key components for computer printers, and our relationship with Dunhill to market fashion and jewellery items to Japanese consumers has been extremely successful.

Elsewhere in Europe, we have also reached an agreement with the leading German steel and machinery manufacturer Klockner-Werke AG and Finland's Rautaruukki to construct a continuous galvanising line at the steel maker's works. We have arranged with Kawasaki Steel to transfer its sophisticated steel coating technology to the German company.

**McCulloch:** Although C. Itoh began operations 134 years ago as a textiles trader, in recent years the company has

assumed a higher profile in energy and chemicals, particularly in crude oil and natural gas.

**Murofushi:** This is correct although textiles are still one of our most important commodities, accounting for 10.9 per cent of total trading transactions in 1990 compared with 19 per cent for energy and chemicals.

But, while C. Itoh is doing what it can to promote the development of alternative technologies to reduce global dependence on fossil fuels for energy, the fact remains that oil and gas will continue to be the world's most important energy sources for some time to come.

For this reason, C. Itoh has been active in oil and gas exploration and development. Last September for example, we signed an agreement with the Algerian government's oil and gas monopoly Sonatrach to support its gas development and gas processing projects.

**New Oilfield Starts Production**

And through help from our affiliate, C. Itoh Energy Development Company, a new oil field off southeast Sumatra in Indonesia has begun producing 200,000 barrels per day of Widuri crude oil.

**McCulloch:** Lastly, I understand that C. Itoh has inaugurated an environmental awareness programme for company staff. What is this programme and why was it started?

**Murofushi:** The programme is being coordinated by our Department of Global Environment, which is a new department located in our Tokyo head office that I established soon after becoming company president. One of the tasks of this department is to examine the environmental impact of all C. Itoh projects before we undertake them.

At the same time, this department is also coordinating our company environmental awareness programme which consists of seminars and training sessions. Already, more than 140 of these seminars have been conducted, attended by over 6,000 people from both C. Itoh and other companies. We started this programme because it is becoming increasingly important for our employees to be more aware of global environmental issues.

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## INTERNATIONAL NEWS

## Hand over bomb suspects, Russia urges Libyans

By Tony Walker in Cairo

RUSSIAN Foreign Minister Andrei Kozirev yesterday urged Libya to hand over to the United Nations secretary-general two Libyans accused of bombing a Pan Am jet over Lockerbie in Scotland in 1988 with the loss of 270 lives.

Mr Kozirev made his comments to his Libyan counterpart, Mr Ibrahim Mohammed Beshari, in Cairo at a private meeting in the Russian embassy.

"I suggested to my Libyan friend that Libya should go along with the Security Council resolutions because this is the best way out of solving this problem," Mr Kozirev told reporters after a meeting with Egyptian President Hosni Mubarak.

Mr Mubarak returned to Cairo at the weekend after visiting France and Morocco. He has been attempting to defuse a potential international crisis over Libya's refusal to yield the two Libyans for trial in either the US or Britain.

France is also seeking four Libyans, including Libyan leader Muammar Gaddafi's brother-in-law, for questioning over the 1989 bombing of a UTA jet over Niger, in which 171 passengers and crew died.

Pointedly, the French judge responsible for investigating terrorism cases issued international arrest warrants for the four Libyans while Mr Mubarak was in Paris urging the west to show restraint.

The US, Britain and France are working on a Security Council resolution that would impose limited sanctions against Libya should it continue to refuse to hand over the Libyans suspects.

Initial sanctions would include a freeze on civil aviation links and a suspension of diplomatic relations.

Sweden, meanwhile, has rejected a Libyan request for it to host the trial of the two Libyans suspected of blowing up the Pan Am jet. A spokesman for Sweden's foreign ministry said the government had decided to turn down the request, forwarded last Monday.

The official said the trial should be held where the crime took place. He also urged Libya to abide by Security Council Resolution 731 of January 21, which condemned the bombings and urged Libya to comply with requests to hand over the suspects.

● The Libyan judge investigating the Lockerbie airliner bombing submitted his resignation yesterday, saying he was being pressed from all sides to violate the law. Heater adds from Khartoum.

The judge gave nine reasons why he could not conduct his investigation properly, including "insults to the Libyan judiciary... political pressures from inside and outside... and attempts to force me to violate the laws," according to the Libyan news agency JANA.

## Japan's wildlife stand to be tested

By Robert Thomson in Tokyo

JAPANESE fishermen have greeted the conservationists and government delegates arriving for an international conference on wildlife trade with petitions asking them to consider the cultural implications of imposing trade curbs on bluefin tuna served in Tokyo's more expensive sushi restaurants.

Keen for recognition as a leader in environmental issues, Japan is hosting the triennial conference of the Convention on International Trade in Endangered Species (Cites) beginning today in Kyoto. It is likely to have its conservationist credibility tested at the 12-day gathering.

Several controversial proposals to be discussed at the conference, which, as well as limits on bluefin tuna fishing, include a relaxation of the ivory trade ban and the listing of tropical timbers for protection. Japan has drawn strong reaction from affected Japanese business groups, some with links to the ruling Liberal Democratic Party.

The conference must deal with a range of awkward issues, among them whether developed countries have the right to restrict limits on the potentially profitable trade of developing countries, and whether countries agreeing on trade limits should receive compensation.

Tokyo did not join the Cites group when formed in 1973, but the foreign ministry has since identified wildlife trade as an issue where Japan can play a politically important role. Other issues targeted by a government intent on lifting its profile include the arms trade and global warming.

Japanese delegates will announce tougher rules for trade in wild animals, requiring the country of origin to verify an export permit before a protected animal is shipped. Document falsification will be among the issues covered in a report to be presented at the conference.

Mr Seino Hando, chief executive director of World Wide Fund for Nature (WWF) Japan, said it was "appropriate" the conference was to be held in Kyoto because Japan, after the US, is the second biggest trader in endangered species.

He applauded the government for having taken "some measures" to lessen that trade. Japan has not decided how it will vote on the ivory issue this time around, when five southern African governments will propose resumption of a ban on ivory trade in elephant meat and skins, will also be debated.

## Plans for Earth Summit enter critical stage

By Michael Littlejohns at the UN in New York and Alison Smith in London

PLANS for this year's Earth Summit enter a critical stage today as representatives of over 100 countries gather to complete an agenda for the June meeting in Rio de Janeiro.

The meeting, expected to last five weeks, will try to secure world agreement on a global regime to protect the environment without applying too hard a brake to economic growth. This will include a wide array of measures, including an action plan dubbed Agenda 21 (for the new century) and an Earth Charter

listing rights and obligations of governments and individuals. The Rio conference, organised by the UN, has been billed as an Earth Summit because heads of government are invited to lead their delegations. Mr John Major, UK prime minister, was among the first to accept.

Emphasising UK support, Mr Michael Heseltine, environment secretary, has come to New York and will address the meeting today. He will make clear that the UK has not ruled out the use of fiscal measures, such as a carbon tax, as part of

its strategy to clean up the environment. But he will point out the need for international agreements to make green measures effective.

The EC has tentatively agreed on a carbon tax which it intended to propose at Rio. But there have recently been indications that it is backing off the idea because of lack of support outside the EC. Mr George Bush, who campaigned in the 1988 election vowing to be "the environment president" has not said if he will go to Rio. His administration wants more data before consid-

ering environmental measures that could drastically raise costs for industry during a grinding recession.

Last week, the US pledged \$75m (\$24.8m) to the international effort to reduce "greenhouse gases" that have resulted in ominous climate change. But the US, by far the greatest source of emissions, has yet to consider broader incentives to curb the gases. The US has been blamed for lack of progress on a convention on climate change supposed to be signed in Rio.

Mr Maurice Strong, a Canadian millionaire businessman and conference secretary-general, believes mankind's survival rests on saving the ecosystem. With the threat of global war no longer plausible, "the primary issues we face today are all environmental." A paper for the New York session states that underlying Agenda 21 is the notion that humanity has reached a choice between continuing present policies or changing course to bring about a more productive and better protected ecosystems and a safer, more prosperous future.

## India is dealt a make-or-break budget

But it is uncertain if the programme can be carried through, David Housego reports

AS OPPOSITION in India continues to grow against IMF-style policies, it seems increasingly uncertain whether the Congress party government of Prime Minister P.V. Narasimha Rao will have the stomach to carry through the programme on which it embarked last year - to open up the economy and strengthen market mechanisms.

But the budget presented by Dr Manmohan Singh, finance minister, along with the letters to the World Bank he was forced to disclose to parliament last week, make clear that India remains on track to implement the most radical changes in economic policy since it became independent in 1947.

The measures announced in the budget went wider and deeper than most had expected. Their boldness will also provide a boost to Dr Singh, who last week emerged battered from the drubbing he received in parliament.

He was on his feet in parliament on Saturday wittily chiding opponents who hoped to force his resignation. He told them he had proposed tax concessions for the self-employed, because if the Opposition had their way, he would soon find himself in that category. Notwithstanding this bravado, he has by no means repulsed all attacks from inside the Congress party and from the left and Hindu militant BJP party outside.

The budget shows that, in its tactical handling of structural reform, the government has chosen to move at different speeds on different fronts. It surprised even the banking community by opting for a partial floating of the rupee, a move popular in India as partly dismantling much disliked foreign exchange controls, and well received abroad.

The government is cautious about reducing India's customs tariffs (among the highest protective tariffs in the world) because it is worried by the loss of budget revenue and faces strong opposition from industry. The budget was most hesitant about tackling problems overhauling in the public sector, of allowing pri-



Rao: Can his government make the budget work?

vate companies to restructure their labour forces or close, and of privatisation. It is here that the government fears the biggest backlash could occur from the left and the unions.

Over the handling of macro-economic policy, it is clear that the government has taken a risk. Dr Singh hopes to bring down inflation from its current 12 per cent to 6 per cent by the end of 1992-93. But he also hopes to lift industrial growth out of recession to achieve a 5 per cent rise in output next year. The danger is that higher growth could splutter out in worsening inflation and balance of payments difficulties.

In opening up the economy to domestic and to foreign competition, the budget makes several strides. The main step is the announcement of partial convertibility, which will link the value of the rupee to a market rate. Under the system to come into force this week, foreign currency holders will be able to change 40 per

cent of their foreign exchange at the official rate and 60 per cent at an open market rate. The government expects the highest backlash could occur from the left and the unions.

On the handling of macro-economic policy, it is clear that the government has taken a risk. Dr Singh hopes to bring down inflation from its current 12 per cent to 6 per cent by the end of 1992-93. But he also hopes to lift industrial growth out of recession to achieve a 5 per cent rise in output next year. The danger is that higher growth could splutter out in worsening inflation and balance of payments difficulties.

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## Arens emerges as man most likely to succeed Shamir

By Judy Maltz in Jerusalem

MR MOSHE Arens, Israeli defence minister, yesterday emerged as the potential successor to Prime Minister Yitzhak Shamir for leadership of the ruling Likud party, after beating off competition from Housing Minister Ariel Sharon and Foreign Minister David Levy for the critical number two spot on the party list.

Mr Sharon, one of Likud's leading hawks and an outspoken advocate of Jewish settlements in the occupied territories, emerged number three on the list, dealing a severe blow to the more moderate Mr Levy, who was pushed down from number two to number four on the party list.

Supporters of Mr Levy, who has been an force behind Israel's participation in the Middle East peace talks, accused Mr Arens and Mr Sharon of joining forces to push the foreign minister down on the Likud roster. The Moroccan-born Mr Levy has a strong following among the working-class and poor Sephardi voters, who have traditionally given Likud its edge in polls.

Israeli troops yesterday shot dead an Arab and wounded 19 others during clashes in the occupied Gaza Strip's Rafah refugee camp. Palestinians told Reuters in Jerusalem that Ahmed Ibrahim Sarrafandi, 18, was the third Palestinian to be killed in the camp in two days.

Should Likud emerge victorious in the upcoming June national elections, Mr Sharon is likely to receive a key ministerial post as a result of his strong showing yesterday.

The US-born Mr Arens, considered to be closely allied with the prime minister, represents the mainstream camp of Likud. He had previously served as foreign minister in the national unity government several years ago.

Among the other Likud members to emerge high up on the party's list were Mr Benjamin Begin, son of former Prime Minister Menachem Begin, and Mr Benjamin Netanyahu, a deputy minister in the prime minister's office.

## INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

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## UK NEWS

# Pace of recovery Business sense: you're only as good as you feel

By Charles Leadbeater, Industrial Editor

SENIOR UK industrialists have warned the prime minister that the timing of the election is seriously hampering the economy's recovery from recession.

The message that consumers and home buyers are prolonging the recession by putting off decisions until after the election, was forcibly delivered at a dinner Mr John Major held with industrialists last week.

The same message has been driven home at meetings with ministers have been holding with businessmen in an effort to repair the Conservative party's relations with industry.

Senior industrialists last week cited industrialists' concern that the recession was being prolonged by uncertainty as a reason for calling the election sooner, for April 9, rather than holding out until the summer.

Many industrialists believe strong consumer demand is being held back by concerns that a Labour victory might lead to higher rates of taxation, according to interviews with more than a score of chairmen and chief executives of manufacturing companies conducted by the Financial Times in the

By Emma Tucker

THE "feel good" factor can win or lose general elections, and with business confidence falling rapidly, time is running out for the government.

With economic indicators unlikely to show any great improvement before the election, the government is planning its hopes on fostering an optimistic mood with a tax-cutting Budget on March 10.

This might not be as easy as it sounds. Confidence is elusive; hard to create and even harder to define. Unlike inflation and interest rates, the mood of business and consumers cannot be precisely measured and fed into computer models. Put simply, it is to do with expectations. If entrepreneurs expect

favourable markets they invest and growth takes off.

The Confederation of British Industry has tracked business confidence since 1958 by asking businesses whether they are more or less optimistic about prospects than they were three months before and plotting the difference to give an optimism index.

The index reached its nadir in January 1974, (-75) after the announcement of a three-day working week. The boom of the late 1950s and the launch of the Labour election campaign in 1963 saw it reach more than 50 per cent.

The CBI says the most important determinant of general business opti-

mism identified in its survey is the level of orders. Interest rates rank second with exchange rates and political conditions at home ranked equal third.

But what kind of effect can a hot summer, sporting success, or the end of a war have on that elusive "feel good" factor? If you are looking for a consumer led recovery, events such as a World Cup win are a good thing, says Professor Nigel Nicholson, director of the centre for organisational research at the London Business School.

"But you can only buck the market for so long, and there are always going to be global economic forces at work at the same time," he adds.

Mr Kevin Gardiner, an economist at S.G. Warburg, also believes businesses are influenced by national issues such as the strength of sterling or the level of interest rates. "People who fill in the CBI surveys watch the media as much as anyone else and are going to be influenced," he says.

This year the general election is affecting confidence, Mr Paul Droop, an economist at the Ernst & Young Item Club, which draws up economic forecasts using the Treasury's computer model, says the election is bad for optimism. "If there is a change in government there could be a change in policy, so no one really knows what to expect."

## Increase in claims hits UK insurers

By Chris Tighe

THEFT INSURANCE payments rose by more than 50 per cent for domestic properties and 20 per cent for commercial premises to a total of more than £900m last year, according to figures to be released by the Association of British Insurers next week.

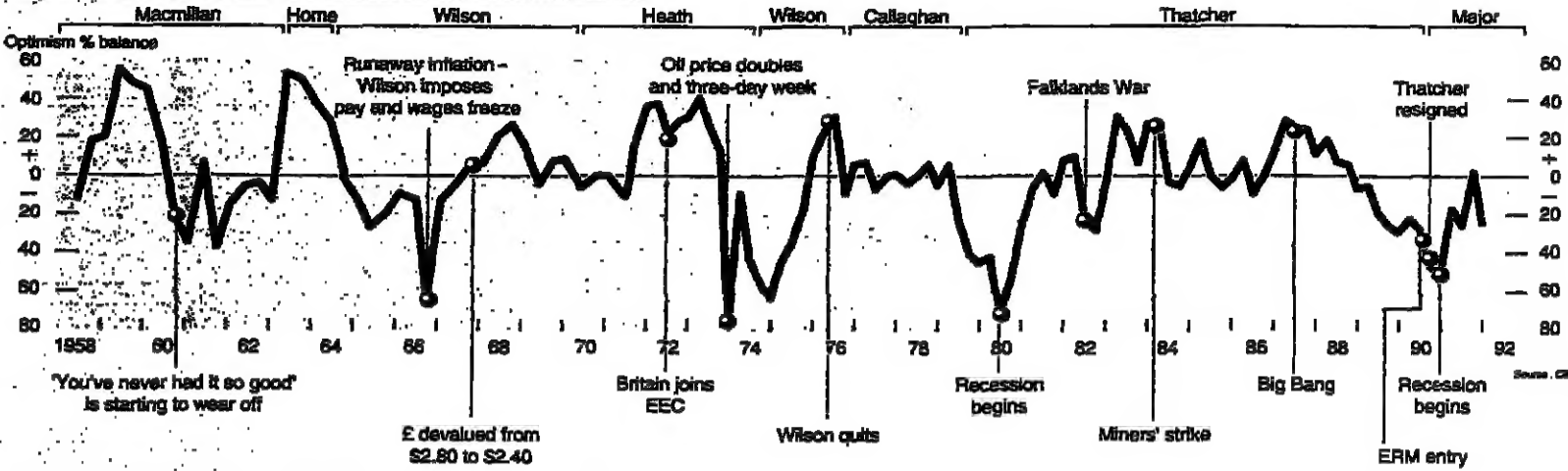
The ABI, which represents most UK insurers, will also announce that fire damage pay-outs last year rose to £1.02bn, half of which is thought to be due to arson. About £100m of this, it believes, resulted from policy holders setting fire to their own property to claim insurance money.

Other heavy loss-making categories include theft of cars, where claims rose by 50 per cent, and mortgage indemnity policies which compensate lenders when properties are repossessed.

The figures for 1991 highlight the background of recession and rising crime against which Royal Insurance and Commercial Union last week announced heavy UK underwriting and pre-tax losses.

Results from other insurers in coming weeks are expected to be similarly poor. General Accident, which reports tomorrow, says 1991 was "pretty horrendous" for UK insurers.

### 'Ups' and 'downs' of business confidence



## Juror denies Guinness trial was too complex

THE leader of the jury in the recently collapsed second Guinness trial has rebutted widespread claims that the trial was too complicated for jurors to understand, writes David Lascelles.

Mrs Edna Wijeratna, in an unusual public statement on the handling of complicated City trials, blames the length of the trial on the decision by Mr Roger Seelig, one of the main defendants, to conduct his own defence.

She also says members of the jury wondered whether "the consideration extended to Mr Seelig would have been forthcoming for a defendant in humbler circumstances."

The government is considering urgent reforms to English fraud law following the conclusion of a number of big City trials such as the Blue Arrow case, which cost an estimated £36m, and Guinness II.

Mrs Wijeratna's views are set out in a letter to the Financial Times.

In it she asserts that the jury had no undue difficulty in understanding the details of the case, contrary to the view expressed by many legal experts.

The judge ended the trial on February 11 after psychiatrists reported that Mr Seelig was suffering from severe mental, physical and emotional strain.

Letters, Page 18



Planesail plain sailing

## High-tech yacht wins US orders

THE BRITISH manufacturers of a revolutionary ocean-going yacht have won orders worth \$1.2m after launching their 'Planesail' trimaran in the competitive US market.

The yacht relies on three computer-controlled wings rather than sails.

Walker Wingsail Systems, the Plymouth-based boat builder, announced orders for five vessels at the Miami boat show this weekend.

"There is a lot of interest in the wing system because Americans seem to like something different and new," said a Walker Wingsail spokesman in Miami.

## Politicians to consider fresh talks on Ulster

By Ralph Atkins and Our Belfast Correspondent

NORTHERN Ireland ministers and local politicians will today try to decide how negotiations on the province can be restarted amid news that church men have sought to curb loyalist paramilitary attacks.

Further IRA bomb attacks in London at the weekend soured the optimism over Northern Ireland's future created by a surprise agreement on Friday between nationalist and Unionist leaders to resume "round-table" talks before the election.

Mr Peter Brooke, Northern Ireland secretary, will hear details of the deal this morning but the proximity of the general election means only a few formal sessions are likely.

It has emerged, meanwhile, that representatives of the Presbyterian Church have met members of the legal Ulster Defence Association, the largest loyalist para-military group.

Mr Brooke will meet Irish ministers in Dublin on Friday at an Anglo-Irish conference, where a suspension of further conference meetings - a Unionist pre-condition for talks - could be agreed.

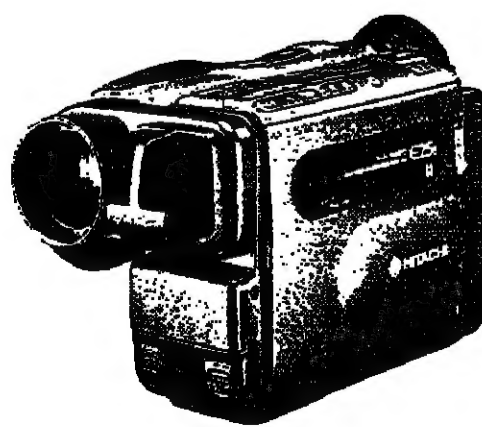
"Round-table" talks could start the following Monday but would probably be halted if later that week Mr Major called an April 9 general election.



## Hitachi looks video in the AI.

The nature of vision inspires a new view of intelligent video technology.

Thanks to research into artificial intelligence, the Hitachi VM-E25E may be the world's smartest camcorder. It shows an "AI" for colour and shading, zoom power to magnify images up to 64 times, and a Digital Signal Processor (DSP) to function as a brain for processing images with superior precision. Add a twist-and-shoot design along with intelligently-organized controls and it makes great videos easier than ever before.



That's the kind of imaginative thinking you expect from Hitachi. Our research team explores the ability of AI technology to transform consumer electronics, industrial equipment, medical and scientific devices, and information processing. Designing innovations of vision.

At Hitachi, we make technology in the human interest to help you see the world through new eyes.

Beauty is in the eye of the beholder. Now, the artificial intelligence (AI) of Hitachi VM-E25E expands natural powers of perception.

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## NORTH OXFORDSHIRE

Monday March 2 1992



Completion of the M40 has brought quiet market towns within reach of the motorway network.

Ribbon development has been held back by recession, while the local authorities are trying to ensure that growth is not at the expense of the environment, writes Stewart Dalby

## Growth: right kind only

THE COMPLETION of the final 55-mile phase of M40 motorway from Oxford to Birmingham, just over a year ago, was meant to be the starting gun for a development spurt in North Oxfordshire.

But with outline planning consent for this stretch given as long ago as 1965, plans for the area had been laid well in advance, and farmers and landowners had done their deals with property developers at meetings in the mid-1980s in the hotels of Banbury - the main town in the area.

Planning consents were given for more than 300 acres of land along this newest corridor, enough, even if developed at a low density, for more than 1m sq ft of office, light industrial or warehousing space.

Yet the concern expressed that this part of the M40 might end up with the kind of ribbon development seen along sections of the M4, or that Banbury might be completely ringed by business parks, putting pressure on the social and transport infrastructure of the town centres has also proved unfounded.

It has not turned out like that, so far at any rate, because of the recession. The take-up of land has been only a

small percentage of that with permission. Roughly 300,000 sq ft of new industrial and commercial space has been developed, but only a quarter of this has been let or sold. Most of the new business parks and office space stand empty.

The potential for development is definitely there. The completion of the M40 has meant that quiet market towns, such as Banbury, Bicester and Kidlington, are now plugged into the motorway network. They are close to two important airports, London's Heathrow and Birmingham International. They are also between two major universities, Oxford and Birmingham. In both cases there are research facilities for companies to lock into, as well as a supply of graduates, some of whom will want to look for work locally.

When the economy improves, North Oxfordshire will have to compete with Milton Keynes, Peterborough and Northampton, and even Oxford for investment. Oxford is now beginning to emulate Cambridge by developing a science park for businesses.

In terms of rent and wages, North Oxfordshire is competitive with these other locations.

There is also a supply of labour and more is likely to come on to the market with the run-down of a US defence in the area. It has good road and air communications, although the rail links with London could be improved.

It also has the draw that other relocation towns seeking investment, such as Swindon, had in the early days of their expansion - an attractive countryside with pretty towns and villages where incoming executives and employees can live at reasonable cost.

The recession has given Cherwell district council, the main local authority in the area, a respite to consider the kind of investment it wants and to make sure new developments are consistent with what can be comfortably absorbed.

The case of Coca-Cola & Schweppes Beverages' proposed development in Banbury two and half years ago is still much on people's minds. Like an angler's one-that-got-away yarn, every businessman or local government official whom the visitor meets in the area has a slightly different variant of the story.

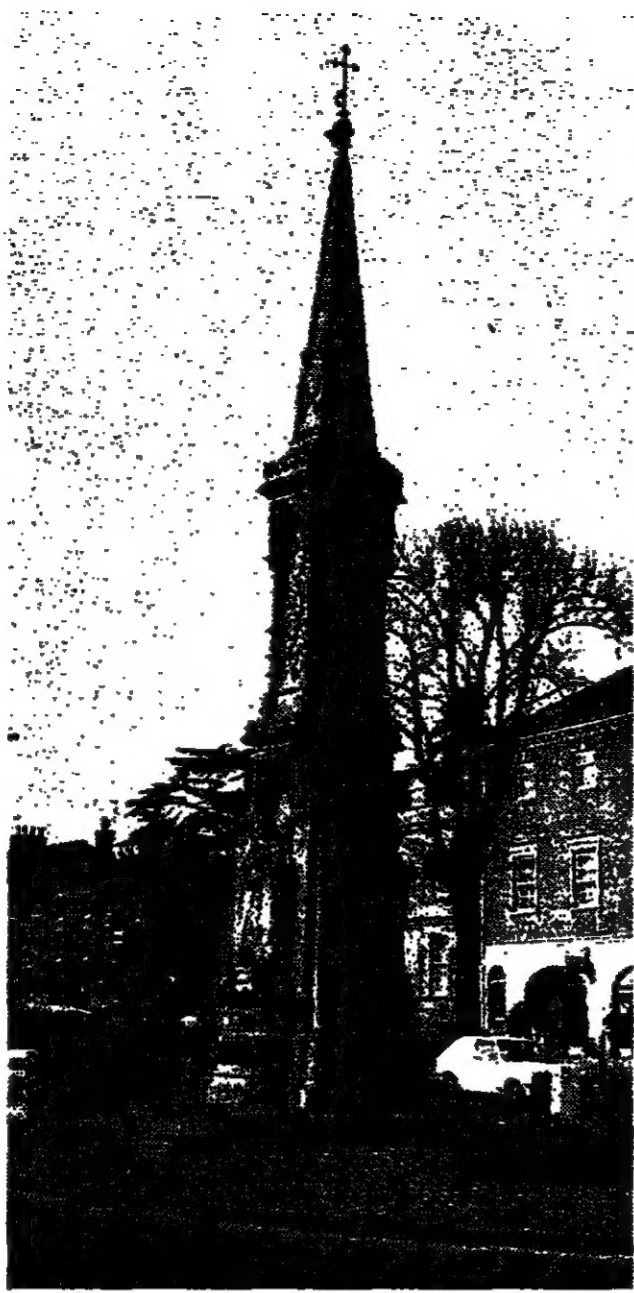
Coca-Cola & Schweppes Beverages is a joint subsidiary of Coca-Cola and Cadbury Schweppes, which cans and distributes products from both companies. Two and a half years ago, it was interested in a 50-acre site on the outskirts of Banbury. It could have been a £100m investment, creating 1,000 jobs.

In the end, the company decided to buy some land outside Northampton, the other location it examined.

Mr Grahame Handley, the chief executive of Cherwell District Council, says: "There were genuine environmental problems. There would have been 1,500 lorries a day. The plant would have used more water than all of Cherwell currently uses."

Villagers in Chacombe, to the north-east of Banbury, were worried that the prevailing winds might waft emissions from the plant.

Planning permission was not given, and while some business leaders feel that the episode showed an unwelcome attitude to new investment, it has nevertheless concentrated



Banbury Cross, immortalised in the nursery rhyme and now rebuilt. Photographs for this survey by Trevor Humphries

minds locally on what kind of development is right for the area.

Mr Handley says: "Attitudes are changing. We have a marvellous opportunity to develop the area now that the M40 is open. But we want to develop

it commensurate with what it can absorb. We are not looking for a 500,000 sq ft development employing thousands of people. The area is not structured like that. We want companies employing around a couple of hundred people and taking up

50,000 sq ft of office or factory space.

He talks of developing a communications corridor, and says a start has already been made in attracting Talkland and Alcatel Network Systems. Talkland is involved in cellular communications and Alcatel sells telecommunications equipment. They plan to employ 250 and 80 workers respectively.

Since he was appointed chief executive last April, he has set up an M40-Cherwell Investment partnership with local businesses to promote the area. He has involved the local North Oxfordshire college in training and has tried to move on other fronts to improve the infrastructure of Banbury, Bicester and Kidlington.

His actions have won support from the local business community. "North Oxfordshire now has an excellent opportunity of getting it right and developing. Otherwise, places like Banbury will remain quiet backwaters with ageing and increasingly dependent populations," Mr John Bridgeman, managing director of British Alcan Enterprises, observes.

He adds: "Getting it right involves a more welcoming attitude to business and achieving a critical mass in the towns, in terms of transportation and housing and schools. I would like to see around 20 to 30 companies come into the area, employing between 200 and 300 people each."

This level of investment would mean about 10,000 new jobs. Banbury would grow to a population of 60-70,000 from its current 41,000, in line with Oxfordshire county's council structure plan, which has focused on Banbury and Bicester, along with Didcot and Witney, as growth points in the county. At this level the towns in North Oxfordshire would not become as large as Peterborough or Swindon.

Mr Douglas Hurd, the Foreign Secretary and MP for Witney, has involved himself in the M40-Cherwell initiative. "I don't think Banbury is going to become like the towns on the M4. It is not big enough. But it is important to take care over the kind of growth. It would be sad if Kidlington becomes absorbed by Oxford," he says.

## COMMUNICATIONS

### The magnet of the motorway

FOR HUNDREDS of years Banbury, the Saxon town, was a major crossroads between southern England and the Midlands. Its importance as a wool trading centre made it a communications hub used by farmers and traders.

In later centuries, communications improved - first with the arrival of the Oxford canal and then with the railways - as industry demanded better transport links. For years, communications to north Oxfordshire and Banbury, as it is now known, were updated and renewed to meet the needs of local industry.

This tradition of communications growing in response to industrial development was reversed a little over a year ago with the completion of the M40 between London and Birmingham. Industry is now expected to grow in response to improved communications.

Local politicians regard the motorway as a magnet for new investment and want busi-

#### IN THIS SURVEY

- ☐ Some signs of economic revival
- ☐ The Silicon Valley of motor sport ...Page 2
- ☐ Property development
- ☐ Hotel rooms galore
- ☐ Farmers' anger ...Page 3

nesses to migrate into the area. As an incentive, about 300,000 sq ft of new industrial and commercial premises has been built near the M40 and the district council has set up the Cherwell-M40 Investment Partnership to promote the region.

Launching the initiative in London, Mr Grahame Handley, chief executive of Cherwell district council, painted a grandiose picture of the motorway's potential. "Cherwell and the M40 are poised to become the focus of the UK's communications-based industries," he



Grahame Handley: 'We know better than the county council'

said. The region has already attracted companies such as Alcatel Network Systems and Philips, but the recession has slowed the pace of further investment.

The council, however, remains committed to promoting light industry at business parks such as the Banbury Cross Business Centre and Bicester's Talisman Centre. It wants to improve access to these sites with a new motorway junction south of Banbury and improvements to the A43 Oxford-Northampton trunk road north of Bicester.

Mr Handley also envisages the M40's first motorway service centre at Ardley near Bicester, which will include a hotel and tourist office. Such proposals and the planning involved have convinced the Cherwell chief executive that the council should take control of highway planning from the county council.

"We'd like to be the unitary authority for North Oxfordshire with our own highway authority," says Mr Handley. "We know the local situation better than the county council."

Cherwell's increasingly ambitious plans for the M40

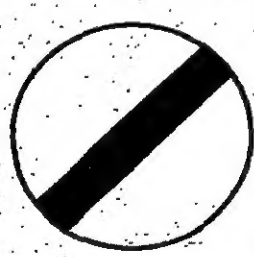
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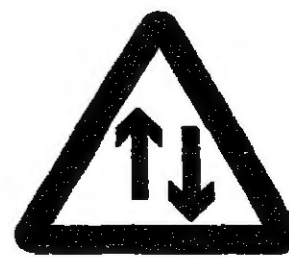
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## NORTH OXFORDSHIRE 2

Stewart Dalby sees some signs of economic revival in the region

## A first cuckoo in the park

TALKLAND, the cellular communications company owned by France's Compagnie Generale des Eaux, set up in the new Banbury business park last October, becoming its first tenant.

It moved its operation, servicing its mobile phone network from Isleworth in west London, and now employs 240 people. It is seen as an important catch in the drive by Cherwell District Council to gain new investment and to capitalise on the completion of M40 between Oxford and Birmingham.

Other new arrivals include Alcatel Network Systems, which has set up a small operation in Banbury; Philips Car Stereo and Hensel Ecobab, a distributor of chemical products, both of which have gone to Bicester.

North Oxfordshire is largely agricultural, undulating countryside with three small towns and lots of pretty villages. In

Banbury, the main town, with a current population of 41,000 and a catchment population of 120,000, there are several multinational manufacturing concerns. By local standards, they are large employers.

They include US-owned Kraft General Foods, British Alcan Aluminium, part of the Canadian Alcan Aluminium group, and Mannesmann Demag, the UK subsidiary of the German engineering company. There are also some distribution companies, including the EPS group, which employs 600 people.

Elsewhere, some 1,200 are employed directly and indirectly at the Ministry of Defence Ordnance Depot in Bicester (population 20,000), making the town an important service centre. Upper Heyford, the US airbase, is home to 1,400 US servicemen and their families.

Alcan Aluminium is the

Canadian parent of British Alcan Aluminium. The British company was first established in Banbury as Northern Aluminium in 1931. The international company has been suffering in the past year because of a fall in the price for aluminium. The UK arm has not been immune from the problems. British Alcan Enterprises, which forms part of the UK subsidiary, employs 700 people in Banbury. The company feels North Oxfordshire is a good place from which to operate.

Dr Mike Sporton, managing director of Alcan International, a related company, which employs 176 in a laboratory in Banbury to develop group products, points to its central position.

"On the one side there is Heathrow, and a lot of the business is international. On the other side is Birmingham University, which is very strong in materials sciences

with an important interdisciplinary research centre."

Mannesmann Demag, which makes travelling cranes and conveyor systems, employs 290 people, and set up in Banbury in 1969, encouraged partly by the promise of a motorway in the near future and partly by the availability of development assistance.

"All other things being equal, we probably would not choose Banbury now. Our customer base was in the south, but it has moved further north. But we run a very successful business from here. We have a good, loyal workforce and own the property freehold," says Mr Matthew Houston, the company's managing director.

Mr Houston does not see other heavy manufacturing concerns moving into the area, but he welcomes the idea of smaller technological companies arriving. Throughout the area there are already several engineering concerns with an emphasis on specialised engineering in motor sports.

Mr Richard Pines, the marketing manager of EPS, which describes itself as logistics services company, sees North Oxfordshire as a natural area for distribution companies. It



John Bridgeman, managing director of British Alcan Enterprises of Banbury

has been in Chipping Warden near Banbury since 1948 and now occupies a 64-acre site on what was once a Second World War airfield.

Besides warehousing, the company, which has a turnover of £25m, offers production and distribution in partnership with individual companies, including assembly, customisation, repair, refurbishment and testing.

"Companies always knew the M40 would be developed at some stage. The completion of the M40 means this area is

ideal for companies like ours," Mr Pines says.

Cherwell District Council wants to encourage more companies like Talkland to locate in the area. Mr Rob Lee, the council's economic development officer, says the strategy is to attract service companies which will create jobs. He also feels that, once the economy picks up, distribution and warehousing concerns which are not particularly labour-intensive will want to be close to the motorway.

Unemployment in Banbury

has risen to 9 per cent (about 2,000 unemployed). It is 6.8 per cent in Bicester and 8.2 per cent in Kidlington which is considered as part of the Oxford travel-to-work area. The Ordnance Depot in Bicester is apparently not scheduled for cuts, but a rundown at the US base has begun.

Mr Lee estimates that around 15 per cent of the servicemen will opt to stay in the area because they have married locally, but there could still be around 800 job losses.

Cherwell feels that the capture of Talkland is a good start in its drive to boost its economy, and the company itself is pleased with its move, which attracted more than 1,200 applications for the 240 jobs the company created.

Mr John Barton, operations director of Talkland, says: "We received a very warm welcome from the local authority. Among other things, they were instrumental in setting up a training programme with the North Oxfordshire College for our staff."

"When we decided to move from Isleworth, I looked at a lot of places, including Dudley and Milton Keynes. In the end, I decided I preferred the building in Banbury. It was also cheaper than Milton Keynes."

Mr Philip Dobby, managing director of Alcatel Network Systems, also looked at a number of sites.

"We needed to be close to London, because the south-east is a major customer base for telecommunications equipment. We have a small sales office in London. When it came to a servicing and repair centre, I looked at various places including Milton Keynes and Bracknell, and the Oxford science park."

"In the end, we chose Banbury because we wanted engineers we took on to be able to service our customers in the area. Also, this office is in a cheap - less than £15 a sq ft. It is in the town and I feel we are in on the ground floor of the area's expansion."

## The magnet of a motorway

Continued from Page 1

corridor have irritated county planners, who have reminded district councillors that the M40 is regarded by the government as "a centre of movement, not a centre of growth".

Mr David Young, director of planning and property services at Oxfordshire county council, says Cherwell is too small to take on responsibility for highways and criticises moves towards rapid development of the region.

Environmental concerns and fears of traffic congestion persuaded the county to oppose Coca-Cola's planned plant at Banbury. Mr Young hints that any similar developments encouraged by the district council could be blocked.

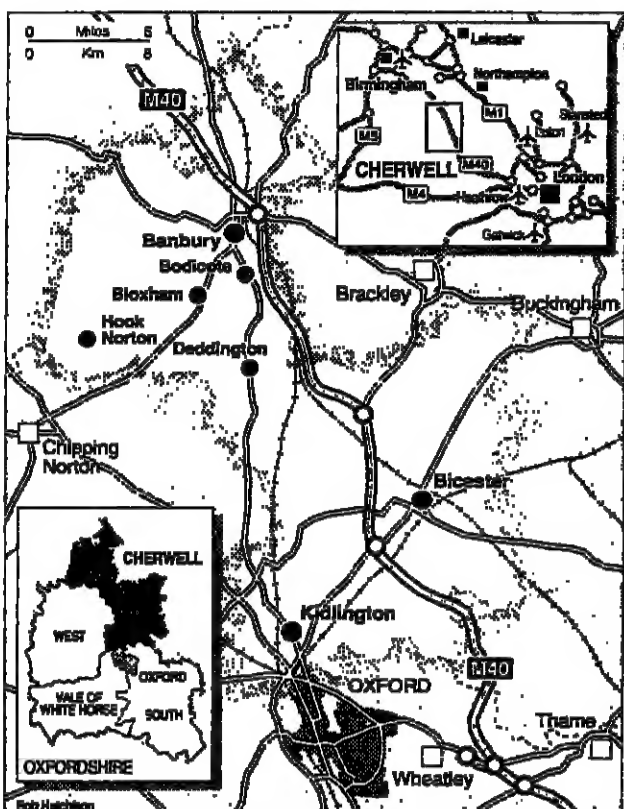
"This motorway is not designed for junction development and any plans for a new junction are unlikely to win government approval."

The county council's concerns have been echoed by planners at South Northants Council who have criticised Cherwell for not telling them about their junction proposals.

All local politicians, however, welcome the M40 as an important artery for through-traffic between the south-east and the Midlands. It has eased congestion on secondary roads and diverted freight traffic away from rural villages.

For its part, the Freight Transport Association (FTA) says although journey times are now faster, "there is considerable commuter use in North Oxfordshire which leads to congestion at peak times".

The number of heavy goods vehicles using the motorway would be reduced, it adds, if rail freight offered a better service to industry. The FTA says there would be a greater mix of road-rail haulage if British Rail



invested in a new freight terminal south of Birmingham to handle Channel tunnel traffic.

At present, rail freight through North Oxfordshire is dominated by bulk goods such as coal and motor vehicles shipped between the Midlands and Southampton. Diesel-hauled trains rumble through Banbury and Bicester but rarely stop to load or unload in the region.

"These diesel services should be replaced and the twin lines to London via Oxford and High Wycombe electrified, according

to the Transport Users' Consultative Committee. The watchdog says existing rail services for both goods and passengers are sub-standard.

The group claims North Oxfordshire will not benefit from the Channel tunnel without rail electrification. Its criticisms are flatly rejected by British Rail.

Electrified services from Marylebone and Paddington are unlikely even to be considered until well into the next decade. BR, meanwhile, is investing £300m on new rolling stock and improvements to track and stations on the Oxfordshire routes. Journey times to Marylebone have been cut following the introduction of new Network Turbo trains.

As a communications corridor, however, the region's rail routes are of minor importance compared with the development of the M40.

The motorway has successfully attracted new investment, though not on the scale originally envisaged, and it has improved access to airports at Heathrow and Birmingham and to the south coast seaports. This six-lane road is regarded by Cherwell district council, at least, as the catalyst for the region's prosperity. The council's critics say Cherwell is in danger of overreliance on the M40's potential and point out that many of the business parks remain unfilled.

Mr Handley is unfazed. He regards the M40 as the means "to change local towns like Banbury, Bicester and Kidlington. We want the area to benefit and we want developments that will create jobs."

"The M40 is changing the road geography of Britain."

Tim Burt

Stewart Dalby and John Griffiths spotlight one of the region's success stories

## The Silicon Valley of motor sport

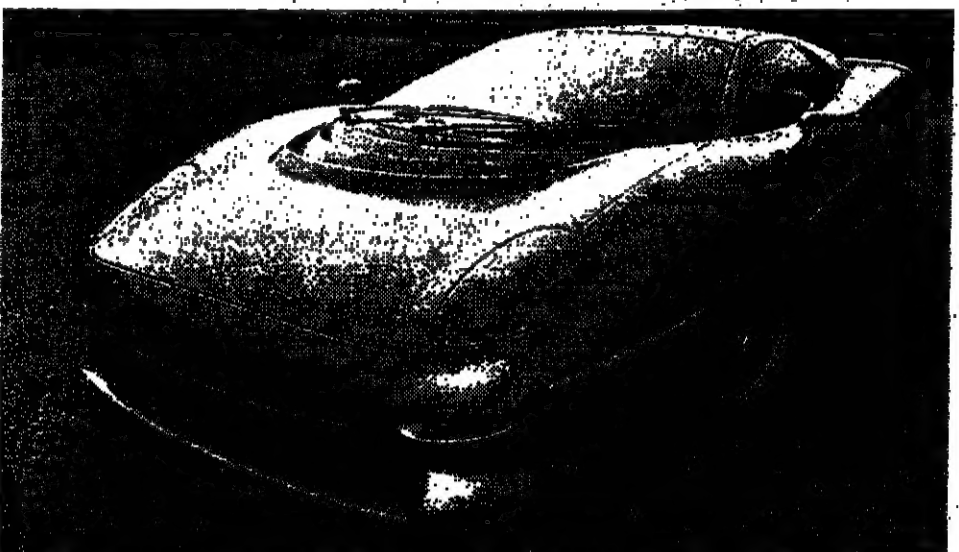
NORTH OXFORDSHIRE has a flourishing specialist engineering industry based on motor sports as a pillar of its economy.

Partly, this is because of the proximity to racing circuits such as Silverstone, just across the border in Northamptonshire, and Donington Park further north. But at least as important, according to Mr David Richards, managing director of Prodrive, is its closeness to Birmingham and Coventry, the traditional automotive centres in the Midlands.

Motor sport makes a positive contribution to the UK trade balance of at least £300m a year, according to Mr Max Mosley, president of Fisa, the Paris-based world governing body of motor sport.

At least three-quarters of the purpose-built racing cars in use worldwide come from a few dozen small factories in the region. Mr Mosley himself is a former leading light of March, the Bicester-based racing cars concern.

Indeed, virtually all the big Japanese carmakers, now using motor sport as a major part of their marketing armoury in Europe, have their competition cars developed not at their own factories but in these rural English outposts. As for Mercedes' world



The XJ220 pre-production model built at Jaguar Sport's base at Bloxham near Banbury.

Similar awards are to be found at March, and further south at Didcot, at the grand prix team headquarters of Mr Frank Williams, employer of Nigel Mansell, the racing-car driver.

Many of these small companies, often to be found in the back roads of Oxfordshire and neighbouring counties, are a breed apart.

Volume car manufacturers spend years and millions of pounds developing items such as gearboxes and produce them in runs of 100,000-plus to make them viable. March, Hewland Engineering, Banbury-based Prodrive and others think little of taking, say, a complex gearbox from first design to final production in a few months and will happily supply as few as 20.

However, even though recession has reached the industry, motor sport in North Oxfordshire stands to benefit from the more structured shape that its leading entrepreneurs, such as Mr Tom Walkinshaw, TWR's chairman and Silverstone controller, appear bent on giving it.

At the 720-acre Silverstone complex, for example, there are plans to expand an industrial park, which already houses nearly 50 units. The intention, says Mr Walkinshaw, is to "build up Silverstone as a hub for the British motor industry".

Mr Richards readily acknowledges that Prodrive is not, and does not want to be, in the volume business. "We therefore need to go to specialist component manufacturers who are prepared to make fewer than 10 gearboxes for example. Such operators can be found in the Midlands."

Since moving into its 30,000 sq ft factory right on the M40 in 1988, Prodrive has expanded its turnover fourfold up to 1991. In 1992 it is looking for turnover of £20m.

Currently it employs 90 people. That figure should rise to 130 when the company

completes its expansion into a 14,000 sq ft factory next door to its current site.

Mr Richards says he had difficulty in finding the right kind of engineers in the immediate vicinity but that qualified people are happy to travel from Birmingham or Coventry.

He says that North Oxfordshire is the best place to be for a motor sports company. Apart from the closeness of suppliers and specialist parts manufacturers, he reckons costs are only two-thirds of what they would be in West Germany.

Mr Bill Donnelly, sales and marketing director at JaguarSport, a joint company

Costs are reckoned to be only two-thirds of what they would be in West Germany.

formed by Jaguar and the TWR Group, agrees that the closeness to the automotive industry in the Midlands is important.

"We might need some custom-designed part for just three cars. Obviously, a company used to dealing with the volume producers would not be interested in this kind of order. But there are suppliers we can contact."

The TWR group has its own main UK base in Kidlington. In the 1970s and 1980s it was involved in racing development programmes for BMW, Mazda, Rover and Jaguar with the XJS model.

Since JaguarSport was formed in 1985, one of its activities has been to make "sports" or road versions of its racing cars.

Fifty models of its fitted XJR 16 have been made and all were sold at £500,000 each. It is currently making 350 of its XJ220 model as a road car and these will all be sold, apparently at £350,000 each. JaguarSport employs around

Porsche, Mazda, and Nissan. It employs 500 people throughout Oxfordshire and at least 1,000 worldwide.

Meanwhile Reynard, which makes between 200 and 240 single-seaters a year, mostly Formula Fords, Formula 3, Formula 4 and Formula Vauxhall Lotus, is vying for the first time this year into grand prix, having already produced a prototype.

The company was started in its present form in 1982, with a turnover of £250,000. In 1990, before demand started to be hit by recession, it produced 270 racing cars for a number of teams from its three factories in Bicester and Brackley and had a turnover of £10m.

Mr James Linton, sales director, says: "Being close to Silverstone is part of the reason we are here. But it is also important to be in the heart of the automotive industry."

Ms Fiona Miller, media manager for TWR, estimates that outside Formula 1, around 50 per cent of the world's racing carmakers have some kind of presence in Oxfordshire.

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Stewart Dalby looks at property development

## Vacant possessions

THE much-predicted burst of property development along the newly opened stretch of the M40 between Oxford and Banbury has still largely to take place.

Cherwell District Council, which covers most of the area through which this segment of the motorway runs, estimates that before the final part was opened in January last year some 300 acres of land along the road had received planning permission for industrial and commercial properties, but not housing or retailing.

This broke down into 166 acres in and around Banbury, 54 acres around Bicester and 140 acres of land spread throughout the rest of the district including Kidlington.

Assuming a low density of 20,000 to 25,000 sq ft an acre, which is the average for a B1 light industrial or office development with landscaping and car parking, this would mean at least 1m sq ft of commercial and industrial property or around a third of what could be built along the entire length of the M40 including Oxford and High Wycombe.

It might also mean more than a doubling of the amount of new office and light industrial space available

north of Oxford. The Cherwell local plan says if all the land with planning consent were to be developed around Banbury alone, it could generate between 5,728 and 11,456 jobs.

Many of the consents have been for B1 developments, but there are also some for B2-type developments - warehouses or what property developers call sheds. There are few B3 consents for heavy industry.

In terms of space taken up, B1 developments tend to be low density but more labour-intensive. B2 projects are usually the reverse.

Excluding refurbishments and conversions, there has been only about 300,000 sq ft of new commercial and industrial property built between Oxford and Banbury.

The main developments in and around Banbury are the Banbury Business Park, which is three miles outside the town at Alderbury. Phase one of this B1 project amounts to over 120,000 sq ft and has been developed by the Church Commissioners for England.

In Banbury itself Blenheim Court, a modern office block of 37,000 sq ft, has been built by Blenheim Land with the low density but more labour-intensive B2 projects are usually the reverse.

Blenheim Land development, in conjunction with Heron Hi-Tech. This has 15,800 sq ft of space.

In and around Bicester, the 130,000 sq ft Talsman Business Park has been completed by the developers Scottish Metropolitan. Outside Kidlington, Wilson Connolly has built 65,000 sq ft in the first phase of the Oxford Spire business park, which could eventually spread over 15 acres. Many of these developments have yet to find tenants.

Banbury Business Park considers itself lucky that Talkland, a cellular communications group, has taken 34,000 sq ft of space. Pearl Assurance has taken a smaller unit and two others are under offer.

But none of the suites at Blenheim Court have been let, nor have those in Watperry Court. The offices on the Oxford Spire estate have also to find their first tenants.

It is not so much a question of price. Clients are wary of disclosing what they paid for premises. But Mr John Barton, operations manager of Talkland, said he paid less than £15 a sq ft for the space on the Banbury Business Park.

That is cheaper than, say, Milton Keynes where B1 type

property fetches £16 a sq ft.

Blenheim Land is looking for rents of £18.75 a sq ft for suites at Blenheim Court. "The offices are particularly well appointed. This rent compares well with similar quality properties in Oxford or Birmingham where you would expect well over £20," claims Mr Marcus Hoskins, a director of the Oxfordshire-based developer.

Until the vacant new-build is let, it seems unlikely that further sites will be developed at least on a speculative basis.

Thus, two sites in Banbury - one of six acres with planning permission owned by Wimpey and another of five acres owned by Standard Life, the assurance group - await a better economic climate before sprouting buildings.

Outside Banbury on the motorway, 21-acre site owned by local landowners, has planning consent. An eight-acre site of mixed ownership, including the Banbury cricket club, has permission for a hotel and other leisure uses. A further 30-acre site is owned by Amec, with consent for both B1 and B2 use.

Outside Bicester, there is a 66-acre site which could become the Bicester Business Park. The developer, London and Metropolitan, owns 35 acres of this, on which it is possible to erect 750,000 sq ft of business space. There are no specific plans at the moment, but Mr Martin Conway of Cherterton, the estate agent acting for the developer, says it is considering the possibility of non-speculative design-and-build B2 warehouses.

If action is taken to develop these various sites, does this mean that the M40 above Oxford will become a ribbon of property development?

The answer is probably not. Mr Donald Jellis, the chairman of Cherwell District Council, says: "We have taken good care to ensure that the area is not overdeveloped. We have not given too many planning consents in the towns and the developments on the motorway are in clusters rather than strung out along its length."

MOVES to cut European Community aid to Britain's farmers could lead to an exodus from the land, prompting a serious decline in rural areas such as North Oxfordshire, according to the National Farmers' Union (NFU).

Farmers in the region complain they have already been hit hard by the recession and warn that the EC's so-called MacSharry II package of agricultural reforms, involving large cuts in the prices paid for milk, cereals and beef, could drive many of them out of business.

After several months of falling or static producer prices in agriculture, the reforms planned by Brussels have added to the farmers' gloom. In North Oxfordshire the prognosis has been made worse because it has a high concentration of the most vulnerable farming sectors: small dairy holdings, beef farms and mixed pigs and poultry.

The region's ironstone soil, meanwhile, is not fertile enough to support industrial-scale cereal farming and the undulating geography is too steep for the latest machinery used in crop production.

Mr Nicholas Turner, chairman of the NFU branch in Banbury, is pessimistic about farming prospects. "In North Oxfordshire we don't do anything very well. We don't have big fertile fields like East Angles and unlike the hill farms of Wales, we don't qualify for aid as a disadvantaged area."

"The land won't give you fantastic yields and yet our production costs for machinery and fertilisers are higher."

In a bid to cut costs, many farmers in the area have decided to share machinery, land and buildings. But these measures have pushed up rural unemployment and led to a

wholesale contraction in the farming community.

"We've come to the stage where people cannot tighten their belts any further," warns Mr Turner. "If Mr MacSharry's reform plans go through, many of our members will abandon farming."

These NFU members are disillusioned with European quotas, agreed under the Common Agricultural Policy, which limit the amount of produce they can sell. Dairy farmers claim they have suffered most under the production ceilings and many have switched to beef farming.

Livestock should be a profitable sector for the region, which boasts ideal free-draining grassland among the 48,000 hectares under cultivation. But prices are depressed and cattle-rearing is in danger of becoming uneconomic.

Most of North Oxfordshire's best passes through Banbury market, one of the largest in Europe, where up to 670,000 head of stock are sold each year. Prices, however, are the same or less than they were 10 years ago and Mr Jim Watson, managing director of Midland Marts which runs the market, says the beef trade is heading for a long-term recession.

Mr Watson also blames the recession for hampering expansion of the market. "Banbury has been hit as hard as anywhere else and we have had to make a number of economies."

"Nobody examined their costs as they should have done during the 1980s. We didn't and we've had to cut staff."

The market, however, has been insulated from the worst effects of the agricultural downturn by two developments: the EC's decision not to cut prices paid for sheep, and the opening of the M40 motorway.

The market sells more sheep than anything else and has become the main source of slaughter stock for Britain's wholesalers and export customers. At busy times of the year, Banbury's sheep trade has a turnover of more than £1m a week, with most of the stock being exported to France.

"Sheep sales are doing better than for some years," says Mr Watson. "But the same cannot be said for cattle because feeding costs have risen sharply."

The M40, meanwhile, has transformed Banbury's links to London and the south-east. Exporters using the M2 and M25 can now drive from Dover

"More and more farmers are looking at leisure schemes like go-karting and golf courses," he says. "There are also a lot of barn conversions as farmers sell off buildings to raise capital."

Farmers who cannot sell buildings because they are tenants or those who do not win planning permission for leisure projects are finding it difficult to survive. They say the problems have been exaggerated because banks are reluctant to extend loan facilities. The prospect of subsidy-cutting EC reforms means many farms face an insecure future, making some of them a bad risk for banks.

"The survival rate of farms is linked to how much they can borrow," says Mr Turner. "Farmers are easy targets for banks to constrict, and the banks are making arbitrary decisions on loans."

It is a view that is echoed by Mr Watson at Banbury market. He claims the lenders are "turning the screw on farmers when they should be helping them."

Complaints over banking policy and the effect of European reforms are expected to be aired again tonight, when farmers meet for the NFU's monthly meeting at the Old School and Manor Hotel in Bloxham. Mr Turner has no doubt who is to blame for the problems.

"We are all suffering because the CAP has failed. It was supposed to give farmers a standard of living equal to industrial counterparts. But farm incomes have declined 14 per cent in the past year."

"The European commissioners are not doing their job. Maybe we should go to Brussels and shake them up a bit."

Tim Burt

Tim Burt on prospects for the tourist industry

## Stay here, but go there

CHARLES I occupied Banbury after the battle of Edgehill in 1642. The town supported Parliament, but the castle sided with the king.

The difference of opinion, which prompted the king to move his headquarters to Oxford, cost Banbury most of the monuments which would have made it a tourist centre. The Puritans pulled down the Banbury Cross mentioned in the nursery rhyme and the castle was destroyed after King Charles was executed.

Subsequent generations

showed no more regard for their historic sites. Banbury's medieval church, known as the "cathedral", was demolished in 1790 and most of the timber-framed houses were engulfed by fire.

With few major sites of their own, Banbury and the nearby towns of Bicester and Kidlington have developed a tourist industry which relies on attractions outside the immediate district. "The towns are marketed as pleasant places to stay for those whose main destination is Stratford-upon-Avon, Oxford or Warwick."

The lack of accommodation in Oxford and Warwick is seen by Cherwell district council as a good opportunity for the region's hotels. The council maintains that there are attractions worth visiting, including the Civil War battlefields and stately homes such as Broughton Castle.

Certainly, there is no shortage of hotel rooms. Occupancy rates have fallen by over 10 per cent since 1988, a survey by the Thames and Chilterns Tourist Board shows. The number of tourist trips to the region declined by 250,000 in the same period, says the survey.

The downturn has forced the Banburyshire Tourism Association to close. Mr Michael Nugent, manager of the Whiteley Hotel in Banbury, says the association members were having to spend so much time trying to keep their own businesses afloat that they couldn't do anything for tourism.

Concerned at the fragile state of the tourist industry, the council has adopted a three-pronged strategy to attract more visitors to the Cherwell region.

First, its brochures continue to publicise attractions outside the area to promote Cherwell as an alternative place to stay. These non-Oxfordshire attractions include George Washington's ancestral home in Northamptonshire and the Cotswolds to the south-west.

Secondly, the council wants

to attract more visitors on day trips and weekend breaks. Among its rural attractions, the council lists the Oxford canal, a popular waterway for pleasure boats, which it calls a "linear park".

But weekend breaks and promotional literature pale into insignificance against the third area where Cherwell sees tourist potential: business trips.

With direct motorway access to London and Birmingham, North Oxfordshire wants to attract more business visitors. "We are well placed for the conference trade," says Mr Graham Handley, chief executive of Cherwell district council. Consistent of an upswing in business tourism, the council has given planning consent for two new hotels near the Banbury junction on the M40 and consent for one near Bicester.

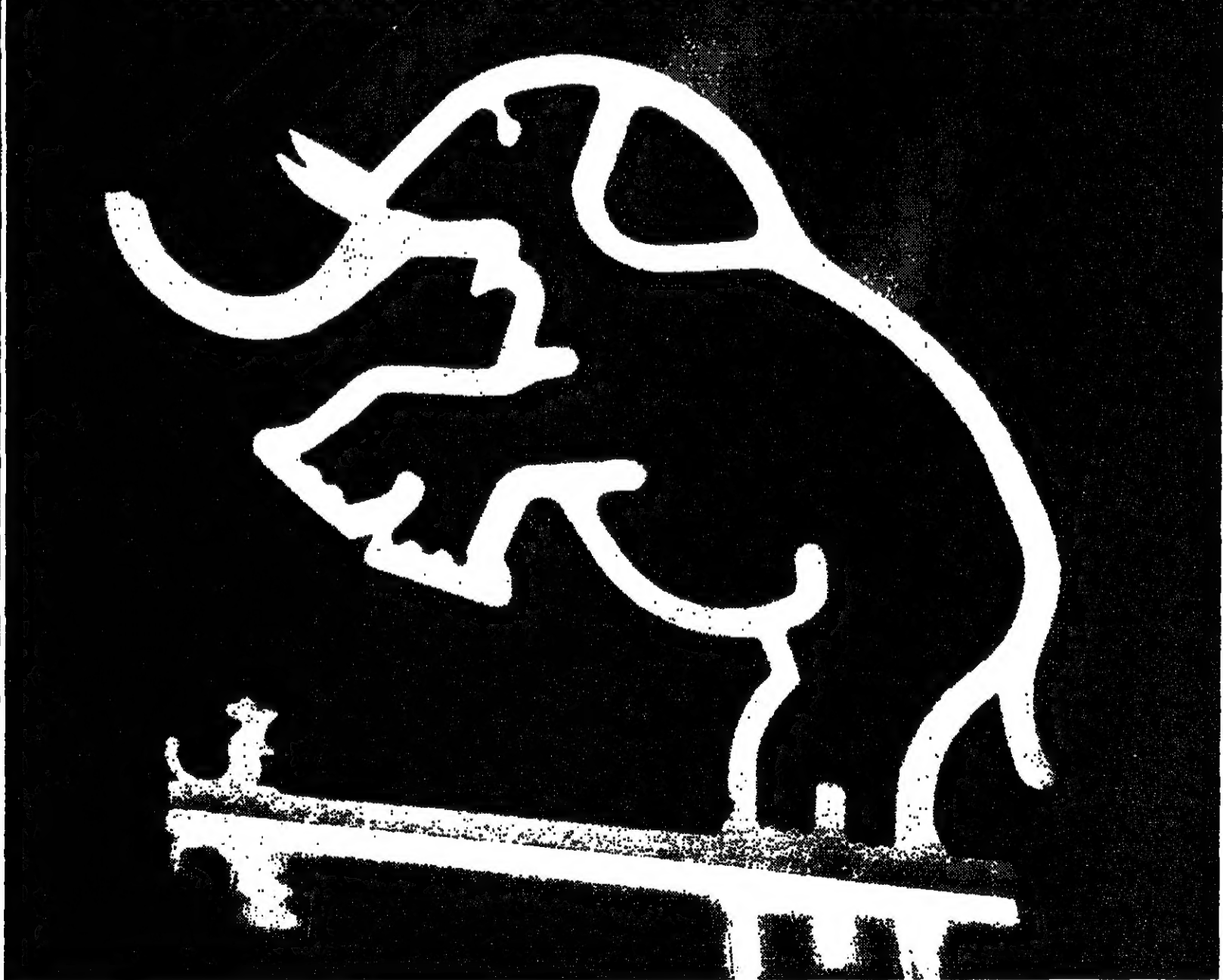
North Oxfordshire's existing hotels are not waiting for an upturn before pursuing conference business. Of the 31 hotels listed in the district council's tourism brochure, 20 already cater for conferences. They range from the three-bedroom Duke of Cumberland Inn at Deddington, charging less than £15 a night, to the 74-room Whiteley Hotel offering facilities for up to 120 people and a room rate starting at £77.

At the top end of the scale, Cornbury Park is flourishing. A large private estate north of Woodstock, it includes Britain's largest remaining royal hunting forest. Businessmen can book a day's shooting for up to seven marksmen. Most "corporate days" end with 400 birds in the bag at a total cost of about £7,600.

But Cornbury Park's formula is unlikely to be taken up elsewhere in North Oxfordshire. "We are not in that kind of business," says Mr Handley. "What we want is a tourist industry which caters for the hotel and conference requirements of other businesses."

"But in the end we have to face it: tourism is not a major industry in this area."

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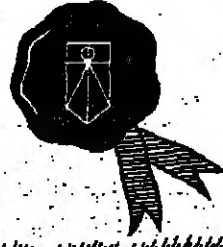
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## APPOINTMENTS

## Fitting the bill on the Wall

London Wall Members Agency, one of the biggest members' agents at the Lloyd's of London insurance market, broke the mould this week by appointing an accountant, John Moir, to be its new managing director. He will also join the board of London Wall Holdings.

In the past, members' agents, which handle the affairs of Names have tended to appoint underwriters to this type of position. Robin Warrender, the chairman, says he wanted someone with administrative and managerial skills.

Moir, now 35, fits the bill. In the mid-1980s he was recruited from Arthur Andersen by former chief executive Ian Hay Davison to head the finance and market services department at Lloyd's. Subsequently he has worked with other

agencies at Lloyd's. Michael Doughty is also appointed to the board of London Wall Members Agency.

■ Mike Dunn, who previously worked for NRG London Re for 13 years to 1986, has been appointed md and chief executive of NRG VICTORY REINSURANCE in place of John Butcher. He joins from Kinmonth Lambert's international division where he was md.

■ ROYAL INSURANCE, the UK insurer, has recruited another senior manager from outside the insurance industry: Jon Boyle is joining as group treasurer. Boyle was previously director of treasury at Salomon Inc's British mortgage arm The Mortgage Corporation until last December.

■ Hugh McCoy is appointed chairman of H CLARKSON; Tony Kilma, Neil Freeland and Derek Hagger will retire in March.

■ BAIN CLARKSON Financial Services has appointed Jeff Brown, John Holland, David Hughes and David King directors in its newly-created employee benefits division.

■ Nicholas Rowe, currently assistant company secretary of British Airways, is appointed company secretary of CE HEATH.

■ Maureen Purdie has been appointed SEDGWICK Group's insurer security director.

■ Malcolm Kerr, sales and marketing director of Albany Life Assurance, is appointed to the board of its parent, MET-LIFE (UK).

■ Robert Clements and Philip Brown Jnr have been appointed directors of CT BOWRING & CO; Michael Bannister, Jeremy Bloom and Stuart Gibb directors of BOWRING AVIATION; and Andrew Cate, Paul Neale and Alan Smith directors of BOWRING MARINE & ENERGY.

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## Dry docks scheme in Bahrain

JALAL COSTAIN WLL has been awarded a contract worth \$5.8m for civil works for two floating dry docks in Hidd, Bahrain, by the Arab Shipbuilding & Repair Yard (ASRY).

Four reinforced concrete mooring dolphins, each weighing about 2,500 tonnes, will be precast nine kilometres away from the site on a barge moored at a yard in North Sitra. When the dolphins are half finished, the barge will be transferred to ASRY, where the 1,200 tonne structures will be lifted off the barge, floated in the water and completed. They will then be sunk in position and the mooring "furniture" added to accommodate the floating docks.

At the same time, 135 precast concrete blocks, each weighing 100 tonnes, will be cast at Sitra, transported by barge to the site and laid on diver-prepared foundations to create a jetties, thus providing access to the floating docks.

The project also includes landfill of 210,000 cu metres and rock armour slope protection, on which dock buildings and facilities will be constructed.

Jalal Costain WLL is 49 per cent owned by Costain Engineering & Construction.

The company is refurbishing classrooms at the Leicester Newark School, which will become the Fulbourn Community College. The contract, worth about \$2m, was awarded by Leicestershire County Council.

Warwick Group Construction, the main contractor, has appointed Burton-based CONDER STRUCTURES, the superstructure division of Conder Group, to design and erect the superstructure for several new Kwiksave stores, including the steel frame, cladding and roof purlins.

Features on some of the buildings included lightweight simulated roof tiles and a mansard arch - a hallmark of a Kwiksave store.

The four new Merseyside stores are at Litherland, New Ferry, Wallasey and Bromborough and are all currently at varying stages of construction.

In Newport, south Wales, Conder Structures' Bridgend office has also been responsible for the design, fabrication and

## CONSTRUCTION CONTRACTS

## Hong Kong hotel development



GAMMON CONSTRUCTION, the Hong Kong-based company jointly owned by Trafalgar House Construction and Jardine Matheson, has won a \$48m (HK\$855m) contract to build a multi-storey tower extension (pictured left) to the Peninsula Hotel, located in the heart of Tsim Sha Tsui.

Scheduled for completion within two years, the project consists of a 32-storey 116 metre tower above a five level 21 metre deep basement. It will be built using the "top-down" method. Consisting of a concrete frame clad with a

panelled curtain wall system, the new tower will be joined at its lower floors to the existing building. The contract also includes all the services and internal finishes.

Gammon Construction has undertaken a series of projects at The Peninsula Hotel over the past few years. They include some additions and alterations completed last year as well as foundation work for the new extension. Although access to the site will be difficult, the hotel will remain open throughout the construction period.

## Social housing programme in Croydon

MJ GLEESON GROUP's southern construction division has won a \$9.14m contract for a mixed development of social housing, associated facilities and infrastructure on 13 acres of former railway sidings at Davidson Road, Croydon.

For a six-strong consortium led by South London Family Housing Association, the scheme will take 21 months to complete.

Gleeson will design and build 216 two, three and four-bedroom houses - five of which will have wheelchair units - together with seven and two-person flats. Some 70 per cent of these will provide rented accommodation, with the remainder offered for shared ownership.

As part of the development, Gleeson will also design and build two hostels and a shop. Each hostel will have six independent units of bedroom and kitchen, as well as communal dining, lounge and play rooms. Additionally, to alleviate flooding that occurs regularly in the area, Gleeson will pipe a 1.7 metre diameter flood relief sewer underneath the nearby railway line.

The other members of the consortium are Croydon Churches, Tower, Croydon Peoples and Crystal Palace Housing Association and London & Quadrant Housing Trust.

## Refurbishing Leicestershire classrooms

LAING MIDLANDS has won two contracts worth nearly \$5m.

The company is refurbishing classrooms at the Leicester Newark School, which will become the Fulbourn Community College. The contract, worth about \$2m, was awarded by Leicestershire County Council.

Warwick Group Construction, the main contractor, has appointed Burton-based CONDER STRUCTURES, the superstructure division of Conder Group, to design and erect the superstructure for several new Kwiksave stores, including the steel frame, cladding and roof purlins.

Features on some of the buildings included lightweight simulated roof tiles and a mansard arch - a hallmark of a Kwiksave store.

The four new Merseyside stores are at Litherland, New Ferry, Wallasey and Bromborough and are all currently at varying stages of construction.

In Newport, south Wales, Conder Structures' Bridgend office has also been responsible for the design, fabrication and

erection of structural steel and cladding of Kwiksave's 11,542 sq metre multiplan distribution warehouse. Kwiksave's original warehouse had been destroyed by fire and the company required a rapid response to avoid the obvious logistical problems that might have occurred. Total value to Conder Structures of all five contracts is about \$1m.

The project involves refurbishment of two-storey classrooms, a hall and free standing timber classroom, construction of three two-storey classrooms and a single-storey extension. Also included are drainage, car parks and a ramp for the disabled. Completion is scheduled for April 1993.

At Keele University, Laing

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The \$2m project will provide a brick and block superstructure, precast upper floors and tiled roof. Completion is scheduled for November.

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## Upgrading council housing

HIGGS AND HILL NORTHERN has been awarded two contracts worth \$4.5m for the extensive refurbishment of local authority housing developments in Rotherham and Bradford.

In Bradford, the Directorate of Housing and Environmental Protection, City of Bradford Metropolitan Council, has awarded the company a \$3.3m contract to refurbish and modernise a large housing development at Sticker Lane.

The project involves the complete upgrading of a development of both three and five-storey blocks of flats. A number of the blocks will be reduced in height from five to three storeys.

Higgs and Hill Northern has also been awarded a \$1.5m contract by the Rotherham Metropolitan Borough Council to undertake the external refurbishment of another large housing estate in Rotherham.

The Canlow Housing Estate comprises around 280 dwellings and the work involves site clearance, the construction of new boundary walls, fencing and landscaping. Work is due for completion in mid 1993.

Modernising flats

ROOF has won a \$1.7m contract from the Rotherham Metropolitan Borough Council to refurbish the envelope and all internal finishing of Clare House, a 23-storey block of 130 flats, of which 42 are single bedroom and 88 are two-bedroom.

## CONFERENCES &amp; EXHIBITIONS

**MARCH 10-12**  
**Anglo-Iranian Round Table**  
convened by The Royal Institute of International Affairs and Nuffield College, University of Oxford, in collaboration with The Institute for Political and International Studies, Tehran. To be held at Cumberland Lodge, The Great Park, Windsor. Enquiries: RIAA Conferences. Tel: 071 957 5700. Fax: 071 957 5710

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**MARCH 17-19**  
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**MARCH 18**  
**Harvesting value from Information Technology**  
Warwick Business School. Speaking on this key topic are senior executives from J. Sainsbury, Granada Information Services, British Steel and Caledonian Airways. Sponsored by Comshare, Warwick Business School and Nobs, Norton & Co. Enquiries: The Event Organisation Company. Tel: 071 238 8034. Fax: 071 924 1790

COVENTRY

**MARCH 19**  
**KNOW YOUR JUNGLE**  
Essentials of Competitor Intelligence & Analysis A practical one day seminar/workshop from the UK's No1 specialist. Benefits, CIAA, ACTION PLAN: Targets, Sources, Methods. Practical case exercises. Successful case studies. Contact Patricia Donnan and other seminar dates to: EMP Intelligence Service. Tel: 071 487 5665. Fax: 071 935 1640

MANCHESTER

**MARCH 19**  
**Managing Supplier Relationships:**  
This course focuses on the key issues that face IT managers in obtaining the best deal from suppliers, exploring some of the most common problems encountered by purchasers, and showing how they can be avoided. Contact Business Intelligence. Tel No. 081 544 1830 Fax 081 544 9020

LONDON

**MARCH 19**  
**Improving Your Company's Cash-Flow and Profits**  
"Turnover hit by recession?" Cash-flow choked by late payments? How can you reduce the risk of your business failing? Experts will show you how to avoid late debts and get paid on time. Enquiries: Director Conferences 071 730 0022

LONDON

**MARCH 19**  
**THE GOVERNANCE OF PENSION FUNDS. IS YOUR PENSION FUND SAFE?**  
Learn the duties and responsibilities of trustees. If your fund should have an independent trustee - How much responsibility is the auditor's? The monitoring role of the Unions. Contact: BIC Mary Parker-Jervis on 071 457 4383

LONDON

**MARCH 19-20**  
**INTERNATIONAL INNOVATION '92**  
Organised by NIMTECH The North West Technology Centre. The conference provides information on £1000m EC cash for collaborative R&D product development. Includes workshop on European business opportunities. The exhibition presents practical technology from all over the world. Contact David Locke (tel. 0695 50032 fax. 0695 50812).

MANCHESTER

**MARCH 23-25**  
**Data Administration and Information Resource Development**  
At this seminar you will learn how to establish a successful business information system which is responsive, flexible and cost effective. Speaker: Ronald G. Ross, Consultant, Knight, Frost & Sullivan Ltd. Tel: 071 730 3438. Fax: 071 730 3343.

LONDON

**MARCH 24**  
**DOING BUSINESS IN CZECHOSLOVAKIA**  
A corporate step by step guide through one of the major opportunity areas. Sponsored by Coopers & Lybrand Europe. Subjects covered include: investment opportunities, legal & taxation issues, labour environment, acquisitions, accounting issues and a case study. Contact: FIBEX. Tel: 071 489 9944. Fax: 071 236 6140.

LONDON

**MARCH 25**  
**FRANCE: UK's 2nd Largest Market**  
Seminar with practical presentations from BSI, Societe Generale, CAMIF, AGO Direct Marketing and UK case studies. Exotic Business, Maritime Electronics and Global Studies. Contact: Ms Maung, LCCI. Tel: 071 248 4444

LONDON

**MARCH 25-26**  
**Introduction to Options Course - Parts 1 & 2**  
Day 1: Basic Terminology, Option Pricing, Trading & Hedging Strategies; Day 2: Volatility, Advanced Trading Strategies, Portfolio Management. Venue: Cambridge Science Park, CAMBRIDGE. £295 (1 day only), £545 (both days). Contact: Gillian Beckett. Brady Financial Services. Tel: 0223 423250

CAMBRIDGE

**MARCH 26**  
**TOTAL QUALITY**  
Overcoming the barriers to successful implementation. SPEIDEL & PARTNERS. Contact: Robert Cordero. Tel: 071 379 7400. Fax: 071 497 3646

LONDON

**MARCH 26**  
**Work at VDU's**  
A vital, one-day seminar for senior management on the implications of recent legislation (VDU Directive). Presented by Colin Mackay - HSE, Brian Pearce - Consultant Ergonomist, Tom Stewart - Chairman ISO TC159 SC4. Tel: 0602 436323. Fax: 0602 436440

LONDON

**MARCH 26**  
**European Energy Policy - Impact of the Single Market**  
Seminar highlighting current and intended EC Energy Policy and its likely impact. It will bring together legislators and energy professionals. Keynote speaker: Antonio Cordero e Cardia, Commission of the European Communities. Enquiries: Institute of Energy. Tel: 071 580 0008. Fax: 071 580 4420

LONDON

**MARCH 26-27**  
**INTELLECTUAL PROPERTY RIGHTS**  
A major EC oriented conference for marketing and business managers, R&D personnel and legal advisors. Speakers include: DORIS, IBM, Siemens, ICI, Linklaters & Paines; Contact: Hilary Moore. Tel: 071 430 2661. Fax: 071 431 4298.

LONDON

**MARCH 30 & 31**  
**Managing Financial Risks**  
This workshop is an intensive, practical course aimed at those who



## ARTS

## ARCHITECTURE

## Building for history

When Sir Charles Barry, the architect of the Palace of Westminster, died in 1860, the *Art Journal* claimed that the new Palace had "given an impetus to the three sister arts of painting, sculpture and architecture they in all probability would have never otherwise received." What is the likelihood of the same words being written today about the important new parliamentary building that was announced last week?

The new building, which is to provide offices for MPs, occupies what must be regarded as one of the most sensitive sites in the capital, on the Thames at the corner of Bridge Street and the Victoria Embankment. It will stand next door to Big Ben and will be an important feature in the townscape of Parliament Square, Westminster and the river.

The site has long been a controversial one. An earlier competition for a parliamentary extension was won by architects Spence and Webster and they produced a large minimalist glazed box which did not win enough friends in parliament for it ever to be built. More recently a planning study was carried out by Casson Conder and Partners which proposed a parliamentary "campus". This plan, which is now being followed, establishes a secure perimeter for parliamentary buildings stretching from Bridge Street to Richmond Terrace and from the Victoria Embankment to Parliament Street, necessitating the closure of Canon Row. The first phase of this work was recently completed and includes the refurbishment and adaptation of several listed buildings. The latest proposal is for an entirely new building over the top of the Underground incorporating a new Westminster station that will be a stop on the proposed extension of the Jubilee Line.

The architects for the new Parliamentary building, Michael Hopkins and Partners, were appointed by the Department of the Environment and they completed their sketch proposals in October last year. Since then a great deal of work has depended on the planned development with London Underground of the new Westminster Station beneath the building. Michael Hopkins will also be



Big Ben's new neighbour: Michael Hopkins and Partners model for the proposed new parliamentary building on the Thames at the corner of Bridge Street and the Victoria Embankment

the architect of this new station. Hopkins has almost become the architect of the Establishment. Following his successful stand at Leamington cricket ground in St Marylebone, he has moved on to be the architect for the new Glyndebourne opera house; the new offices for the Inland Revenue in Nottingham (won in competition last week); and the superb, recently completed conversion of the former *Financial Times* building at Broad Street into the Olayashi company in the City. He is also the house architect for the refurbishment of the Victoria and Albert Museum.

It is no easy task to design a major public building to stand between Norman Shaw's Scotland Yard and Barry and Pugin's Palace of Westminster, and opposite Ralph Knott's County Hall. It is also a challenge, today, to design something that conveys to the world that it is an important public building occupied by people who may contribute to the history of the nation. Architects and their clients come up against difficult questions about the meaning of architecture, and the language that architecture can or should use to convey values beyond the merely functional.

Sir Charles Barry had what he called his "great idea" to make his new Palace

of Westminster a monumental history of England. He was able to achieve this only with the help of the prodigious imagination and decorative and antiquarian skill of Augustus Welby Northmore Pugin (1812-1852). The final result of Barry and Pugin's achievement is one of the most remarkable public buildings in the world and must be seen as the touchstone for any new building that grows alongside it.

Hopkins has understood clearly the logic of Barry's axial plans and designed his new offices around a courtyard. He has also looked closely at the skyline of Westminster and dealt with the mechanical problems of air intake and extract rather in the way that Barry did, by utilising finials and ornamental details as part of the ventilation system. Whitehall is a street of courtyards, almost all of which are invisible to the public. It is presumably only essential security, plus privileged parking places, that prevents the whole of the Government area being an open series of beautiful public quadrangles.

The Secretary of State for the Environment described the site of the new building as "one of the most sensitive sites in the urban world" and the architects' design as "a high class solution." I think it will be a good office building. It will be built of very good

materials, using a dark pinkish sandstone (from Scotland) for its load bearing walls and bronze for its roof. The palace is dark, closer to Norman Shaw's Scotland Yard than to the Palace of Westminster. This is a sure sign, as is the decision to treat the form and silhouette of the new building as a separate "palazzo" along the Thames. The elevational treatment, the grid relieved by vertical strips of projecting bay windows & in Bracken House, is unremarkable. The curved corner turrets seem to have been inspired by Sir Albert Richardson's treatment of big city blocks. The roof, with all its metal catwalks, is unduly spiky and complex.

For the one £120m it is expected to cost, this should be a very fine modern office building. But as a very major new public landmark, I question whether it is imaginative enough for its important site. It is a cautious marriage of elements from the its more powerful neighbours - an arranged marriage of convenience rather than one sparked into life by roaring romance. Barry did put the history of England into his designs, and was not afraid of the power of art to convey his ideas. Perhaps Hopkins needs a Pugin to add some fire to his cool rationalism?

Colin Amery

## Two 'Beauties'

THE CULLEN THEATER, HOUSTON

It must have seemed a splendid idea at the time - and Houston Grand Opera during David Gockley's 20-year directorship, has consistently traded in lively ideas about expanding the repertoire, as the company track record shows.

A specially commissioned new "Beauty and the Beast" opera, *Desert of Roses* by Robert Moran, was to be played in alternation with an updating of Gockley's 1977 *Beauty and the Beast*, which has the same theme. Both the new and the old version of the fairytale would have English texts, the *Zemire* (by Marmontel) translated by John Michael LaChiusa, the *Desert of Roses* libretto. Both would be staged by John Dew, the Englishman resident in Bielefeld. The *Zemire* production had originally been devised for that city; the *Desert* is due to make the journey there later in the year.

A plausible package - but this time, alas, Houston's luck in arranging such things ran out, for the wrapping proved both flashy and ill-finished, and the contents, though in themselves by no means valueless, had been injudiciously selected.

Last November Dew gave Covent Garden audiences that wretchedly empty, poorly warmed-over *Les Huguenots* in modern dress. In similar vein he had conceived of Gockley's lovely, tender, sturdily fashioned *opéra-comique* fable (which Londoners remember from the 1981 Camden Festival revival) as an exercise in pop updating, with the *Beast* as a designer, *Beauty's* father as a vacuum-cleaner salesman, and other bits and bobs of added

Americana. The taste level was pitched low - so low, in fact, that Gockley (who apparently acquired the staging right unseen) asked for 11th-hour improvements and amendments. At this point Dew left town, and both shows, still credited to him, were patched together by assistants.

This *Zemire* may have amused those spectators who find the whole notion of opera got up to look like bad television killingly funny - Dew's borrowings from game shows, celebrity interviews and rock spectacles were of unwavering predictability. But it was still a distressing example of Producer's Patronage - of an audience presumed stupid enough, and a work presumed trashy enough, to need "help" of this kind. Apart from praising the bright-toned *Zemire* of Diana Amos, and relishing the promise of another young soprano, Kimla Beasley, as her sister Fatime, one is probably well advised to pass over the whole sorry thing without further comment.

*Desert of Roses* had a lot more going for it. Moran, a 54-year-old American avant-garde previously best known for his humorous music-theatre extravaganzas (such as his 1971 *Hallelujah* for 20 marching bands, 40 church choirs, organs, carillons, rock and gospel groups, and the entire city of Bethlehem, Pennsylvania), has come to "straight" opera via *The Juniper Tree* (1985), which he composed in collaboration with Philip Glass, and which HCO performed in 1986. He has stripped his *Beast* of conceptual posturing, exper-

imentalist pranks, and indeed of all avant-garderie; the score, written for chamber-orchestra plus delicately used synthesizers, is catchy in what one might call a minimalist-plus vein, with tooling um-cha-um-cha accompaniments (well handled by the HCO music director John DeMain) layered upon harmonies high in sugar content.

Moran writes well for voices, and knows how and where to place his numbers; where he and LaChiusa do have their inexperience was in being seldom able to get to the point, economically and quickly. Both on the comic family scenes - *Beauty* here has an ugly brother as well as two ugly sisters - and on those of sentiment I found myself itching to wield an editor's pruning shears.

Because of this, and the sweet-toothed idiom, the whole work seemed blander than it should or could have. But maybe the production was also to blame: it was sad that the apt prettiness of the decor (designed by Heinz Baltheis) had not been matched by a similar aptness in the direction of the comedy characters - gross clowning is clearly a John Dew trademark.

There were two fine young sopranos to note: Jayne West (*Beauty*) dewy-fresh and appealing, Stella Zambalis (Woman, a narrator-chorus figure) strikingly rich-toned. About this "Beauty" at least, and for all its imperfections, Houston need feel no embarrassment.

Max Loppert



Patricia Johnson, Jayne West, Heidi Jones and Eric Perkins in *Desert of Roses*

## Rattle's Mahler 10

ROYAL FESTIVAL HALL

"Towards the Millennium" has reached second base. The celebration of this century's music dreamed up by Simon Rattle and the late Michael Vyner as a joint venture between the City of Birmingham Symphony Orchestra and the London Sinfonietta is all this spring exploring the riches of all its decades, from 1911-1991.

Rattle and the CSO opened the London series on Saturday with a concert they had given in Birmingham two nights earlier. Mahler's Tenth Symphony, sketched in 1911 and given in Deryck Cooke's performing version, was coupled with the work that two years later built upon late Mahler in a surreal, expressionist way, the Three Orchestral Pieces by Alban Berg.

Rattle's steady progress through the Mahler symphonies took in the Tenth at an early stage, it was the first of the symphonies he recorded

(with the Bournemouth SO), and he has continued steadfastly to promote its virtues. His account of Cooke's completion is presented without apology, as a natural and fully achieved part of the canon.

There is no over-emphasis of the work's despair; even in the work's most anguished moments Rattle sought out beautiful textures and elegant lines, as if the resignation of the Ninth Symphony had been transmuted into something more positive and consoling.

So even the famous climax of the opening movement was made more striking for its unearthly sound quality than its piled-up dissonances, and the repeated drum strokes of the finale seemed less brutal cut-offs than moments of articulation, redirecting the argument as it careered towards its last affirmation. There may be doubts about some aspects of Cooke's version. (Mine are not

concerned with the idiom and continuity of the music but with its length: had he lived might not Mahler have tightened the finale in particular?)

It was offered here as a rounded and profoundly compassionate musical journey. From seats well forward in the Festival Hall, more than close enough to detect any hint of a loose end or scrambled textures, the Birmingham performance was a marvel of unity. The orchestra's lean, refined string tone appears to gain constantly in expressiveness; the wind playing becomes more and more characterful and secure; the brass in particular had a field day in the Mahler, with vivid, penetrating solos (first horn, trumpet and tuba outstanding). A memorable start, then, to a festival series of immense promise over the next month.

Andrew Clements

## Shakespeare in Vienna

## BURGTHEATER

DISASTER offstage by superstition accompanies openings of *Macbeth* and the Viennese keep the tradition handsomely alive last week. Just after his premier of the play, radical German director Claus Peymann was reappointed intendant of the grand, stuffy velvet-and-gold Burgtheater. On Monday four of its ensemble resigned in protest; the Austrian press compared Peymann to the three witches and accused him of "smearing Austria with the coolness of a Prussian hussar" - the row became a national sensation. Austrian Chancellor Vranitzky was forced to comment, but the show played on - to packed houses.

Where else but Vienna, whose stormy relationship with its hallowed institutions, the Burgtheater and the Opera, express at once an intensity of belief in culture and a conservatism unmatched in Europe? The Viennese love to hate the unconventional productions Peymann brings to the Burgtheater. I caught the new *Macbeth* and Peter Zadek's *Merchant of Venice*, a hit which, since I first saw it, has acquired the confident gloss of a contemporary classic.

Peymann's long-delayed and overdone production (4½ hours) is the weaker, but it is full of the fun which makes a Burgtheater visit so rewarding. There is

a fat, camp witch (Iris Haftl), who dances a melancholic, solo waltz, lifts his skirts, inflates himself with balloon "breasts" drooping to the knees, and balances on the rim of a giant cauldron; a sexy colleague sits it with a six-foot spoon, while smouldering up to *Macbeth*.

Forget the sustained hellishness of a traditional *Macbeth*: every image here is developed, parodied, reversed. Barring with bare bones, one uses the stage less conventionally than Peymann. Act II takes place in a shaft of light just three feet wide. Bloodstained, frightened, determined, the *Macbeths* slither and stumble up and down a central staircase. It rises to a loft where a chandelier glows, then fades as dawn breaks, panic sets in, guests tumble over the banisters in shock. At its foot, a tiny door is the castle gate; the drunken porter (Gerhard Ernst) sits on the air at each insistent knock from beneath: comedy underlies tragedy above.

This is a *Macbeth* whose clever effects hold the house but have yet to cohere into a powerfully realised vision: I understood the play no better at the end than at the start. Gert Voss, a Shakespearean actor whose refusal to be awed by set speeches makes for a wonderfully relaxed Shylock, is here a

confused, too casual *Macbeth*, a thinker rather than a soldier but a befuddled one.

His lady (Kristen Dene) also lacks vigour. They share an eerie repertoire of laughs - conspiratorial giggles, embarrassed bellows, mocking. Don Giovanni before the statue gulches - but never go beyond unease or delusion. Even when *Macbeth* sees himself in the glass of the last king's ghost, where fantasy should meet reality, his shriek might sound from a grotesque chamber of horrors as well as from isolation or guilt. "Best not know myself," says Voss, not with the regret of "This is not Lear" or "That's he that was Othello," but as if entertainment, not transformation or self-knowledge, were the name of this game.

By contrast, *The Merchant of Venice* has the best of Burgtheater showmanship allied to a genuinely original reading. This production, set on Wall Street, is now compelling as a 1980s period piece, as well as a Shakespeare interpretation. It changed Venetians into Byronic, power-dressed yuppies who slide in and out of a huge work-out in lunch breaks, and make hard, macho jokes which may happen to be about Jews, or about bonds in pound of flesh.

Voss's aryan Shylock is so integrated

that plummy Portia (Eva Mattes) demands of the wrong men: "Which is the merchant here, and which the Jew?" His daughter, Jessica, buys her way into her gentle husband's office knees-up by slinging dollars among the debris of party hats and empty glasses. She is instantly welcomed. And when Shylock loses his case, he struts manfully across the office, like the dealer who flopped on Black Monday: a hip in his pocket, but not the end.

In shifting the moral core of the play from mercy and tolerance to survival and brazen guts, Zadek both questions the traditional role of Jew as victim and offers social comment. Like a recent Peymann production which satirised Vienna through a scaled-down but lovingly detailed model of the Burgtheater itself, the green copper roof peeping over a stoney Volksgarten, Zadek's classic vision is a critique of a loveless, money-mad world whose energy is nevertheless attractive. It is a love-hate response. This production has gathered pace since its opening and now tips along breathlessly, its slapstick humour - dealers caught in lifts, runners left out of lifts - bizarre as a video on fast forward, its charm and speed already nostalgic as well as contemporary.

Jackie Wullschlager

## INTERNATIONAL ARTS GUIDE TODAY'S EVENTS

## AMSTERDAM

Concertgebouw 20.15 Rafael Orozco plays piano music by Liszt, Chopin and Albeniz. In the Kleine Zaal, David Golub, Mark Kaplan and Colin Carr play piano trios by Brahms and Schubert, also Wed. Thurs and Fri. Ken-Ichiro Kobayashi conducts the Netherlands Philharmonic. Sat. Hartmut Haenchen conducts the Netherlands Chamber Orchestra (6718 345).

## BERLIN

MUSIC Philharmonie Kammermusiksaal 20.00 Piano recital by Lazar Berman, with music by Chopin and Liszt. Tomorrow: Los Rios gita guitar quartet. Thurs: Berlin String Trio. Fri: Kaja Blachar violin recital (West Berlin 825 6160). Deutsche Oper 19.00 Tosca with Maria Guleghina in the title role. Tomorrow: Die lustigen Weiber von Windsor. Wed: Makropoulos Case. Thurs: Der fliegende Holländer. Fri: Die Zauberflöte. Sat: Roland Petit choreography. Sun: Götterdämmerung (West Berlin 3410 248). Staatsoper unter den Linden 19.00

Rudolf Nureyev's production of *Sleeping Beauty*, also Sun. Tomorrow: Pelléas et Mélisande. Sat: Faust (East Berlin 2004 782).

## THEATRE

The Maxim Gorki Theater has Arthur Miller's *Death of a Salesman* on Thurs and Heiner Müller's *Leben Gundlings* on Sun (East Berlin 2082 748). The Schaubühne has *Bohème Strauss' Schlüsselschloß* on Wed, Thurs and Sun, directed by Luc Bondy and designed by Erich Wonder (West Berlin 890023). The Theater des Westens has *Sweet Charity*, the musical by Neil Simon, Col Coleman and Dorothy Fields, daily except Mon till April 19 (West Berlin 3190 3190).

## BOLOGNA

Teatro Comunale 21.00 Borodin Quartet plays string quartets by Beethoven, Schubert and Haydn. Tomorrow: final performance of Roberto Devereux (529993).

## BRUSSELS

Faisla des Beaux Arts 20.00 Piano recital by Jo Aiffid, with music by Bach, Debussy and Brahms (507 8200). Wed and Sun: Maurizio Barbacini conducts a concert performance of Rossini's *La donna del lago*, with Katia Ricciarelli (219 6341). Thurs: Stanislaw Skrowaczewski conducts Bruckner's Seventh Symphony (507 8200).

## COPENHAGEN

Royal Theatre 20.00 *The Lay of Thrym*, Bournonville's great dramatic ballet on themes of Norse mythology; reconstructed last year

by Elsa Marianne von Rosen 85 years after its last performance. Repeated tomorrow and Fri. Wed and Sat: *Arlequin auf Naxos*. Thurs: Bournonville's *Abdallah* (3314 1002).

## LONDON

Covent Garden 19.30 Royal Ballet triple bill: Frederick Ashton's *Scènes de ballet* and *Monotones*, plus William Forsythe's in the middle, somewhat elevated, also Fri and Sat. Tomorrow: Don Giovanni. Wed: Les contes d'Hoffmann. Thurs: Kenneth MacMillan's *Manon* (071-240 1066). Coliseum 19.30 James Holmes conducts David Pountney's production of Kurt Weill's *Street Scene*, with a cast including Janice Cairns and Lesley Garrett, also Thurs. Tomorrow and Fri: *Xerxes*. Wed and Sat: *Il barbiere di Siviglia* (071-836 3181).

South Bank Centre 19.30 Hugh Wolff conducts the Philharmonia in Debussy's *La Mer* and Copland's *Appalachian Spring*, with the Labèque Sisters soloists in Saint-Saëns' *Carnival of the Animals*. Tomorrow: Charles Dutoit conducts Stravinsky and Brahms. Wed: London Mozart Players. Thurs in RFH: Montserrat Caballé. Thurs in RFH: Gidon Kremer and friends. Fri in RFH: Andrew Litton conducts the Bournemouth Symphony Orchestra. Fri in RFH: Simon Rattle conducts the London Sinfonietta.

Barbican 20.00 Jan Latham-Koenig conducts the Guildhall Symphony Orchestra in Massenet's *Turandot*. Tomorrow: Barban 10th birthday concert with Geoff Solti, James Galway and Michael Tilson Thomas. Wed: opera gala night. Thurs: Oliver

Knussen conducts world premiere of new orchestral work by Colin Matthews. Sat and Sun: Colin Davis conducts Verdi's *Requiem* (071-638 8861).

## MILAN

Teatro alla Scala 20.00 Carlo Maria Giulini conducts the Orchestra of La Scala in Beethoven's Eighth and Third Symphonies. Wed, Thurs, Fri, Sat, Sun: Manon Lescaut (7200 3744).

## MUNICH

Staatsoper 19.30 Minkus' ballet *Don Quixote*, also Thurs. Tomorrow and Sat: Die Fledermaus with Pannofa Coburn, Trudolf Schmidt and Wolfgang Brendel. Wed: Boris Godunov. Fri: Salome with Josephine Barstow. Sat: Lucia di Lammermoor with Gruberova and Arazia. Sun: Don Pasquale (221316). Carlvilla-Theater 20.00 Members of the Bavarian State Orchestra take part in a programme of Fascinating music, repeated (221316). This week's Munich Philharmonic concerts at Gasteig (Fri, Sat, Sun morning) are conducted by Horst Stein, and consist of Franz Schmidt's oratorio *Das Buch mit sieben Siegeln* (48068 614).

## NEW YORK

Blue Note Jazz Club and Restaurant Tonight's guest artists are the Spirit of Life Ensemble, with shows at 21.00, 23.00 and 01.00. For the rest of the week it is the Elvin Jones Jazz Machine, plus Steve Turre Sextet, with showtimes 21.00 and 23.00, and

an extra show at 01.30 on Fri and Sat (475 8592).

Metropolitan Opera Tonight's performance is Don Carlo, conducted by James Levine with a cast including Aprile Millo, Dolores Zajack, Sena Jovani and Samuel Ramey, also Thurs. Tomorrow: Tannhäuser. Wed: Rigoletto. Thurs: Le nozze di Figaro. Sat: Il barbiere di Siviglia (362 9000).

## PARIS

The Janowski Ring: Marek Janowski conducts the Orchestre Philharmonique de Radio France in a concert cycle of Wagner's tetralogy at the Salle Pleyel over the next two weeks: *Das Rheingold* on Wed, *Die Walküre* on Sat, *Siegfried* on March 10, *Götterdämmerung* on March 14. (4563 8873). Now is also the time to start booking for the Paris performances of the Welsh National Opera production of Pelléas et Mélisande, staged by Peter Stein and conducted by Pierre Boulez. The production, unveiled at Cardiff last week, will be given in Paris at performances at the Châtelet starting on April 23 (4028 2840).

## ROME

Teatro dell'Opera 20.30 Ghena Dimitrova sings arias by Puccini (483 8873). Thurs in Teatro Olimpico: Uto Ughi plays violin concertos by Vivaldi and Paganini (323 4880).

## UTRECHT

Vredenburg 20.15 Ken-Ichiro Kobayashi conducts the Netherlands Philharmonic

Orchestra in Weber's Oberon overture, Grieg's Piano Concerto (soloist Ana-Maria Vera) and Stravinsky's *Petrushka*, repeated with an alternative programme and soloist on Sun. Tomorrow: piano trios with David Golub, Mark Kaplan and Colin Carr. Fri: Hartmut Haenchen conducts the Netherlands Chamber Orchestra (314544).

## VIENNA

MUSIC Staatsoper 19.30 Minkus' ballet *Don Quixote*. Tomorrow: Madama Butterfly. Wed and Sat: *Rusalka*. Thurs: *Il barbiere di Siviglia*. Fri: *Le nozze di Figaro*. Sun: Carmen with Balisa. Next Mon: first of four performances of *L'elisir d'amore* with Luciano Pavarotti as Nemorino (51444 2580). Musikverein 19.30 Marjana Lipovsek, accompanied by Charles Spencer, gives a Lieder recital in the Brahms-Saal, also Wed. Tomorrow in the Grosser Saal: European Community Chamber Orchestra. Wed and Thurs: Hans Graf conducts the Salzburg Mozarteum Orchestra. Fri: Pinchas Steinberg conducts the Austrian Radio Symphony Orchestra. Sat: Tonkünstler Orchestra (505 8190).

THEATRE Vienna's English Theatre (Johannesgasse 12) has performances of Richard Harris' thriller *The Business of Murder*, directed by Richard Olivier, daily except Sun till April 11 (402 1280). This week's repertoire at the Burgtheater includes Claus Peymann's new production of *Macbeth* tomorrow and Wed. Tonight at the Akademietheater: Brecht's *Baal* (51444 2218).

## European Cable and Satellite Business TV

(all times CET)

## MONDAY TO FRIDAY

2000-2050, 2300-2330 World Business Today - a joint FT/CNN production with Grant Perry and Colin Chapman. Super Channel 0830-0900 (Mon) FT East Europe Report - weekly in-depth analysis from FTTV. 0930-0950 (Tues) Spiegel TV - Int Report - the real world of documentary. 2130-2200 (Tues) Media Europe - what's new in European media business. 2130-2200 (Wed) FT Business Weekly - global business report with James Bellini. 0830-0900 (Thurs) Media Europe. 2130-2200 (Thurs) FT Eastern Europe Report. 0830-0900 (Fri) FT Business Weekly. 2130-22.00 (Fri) Spiegel TV - Int Report.

## SATURDAY

0930-0930 World Business. The Week - a joint FT/CNN production. 1900-1930 World Business This Week. Super Channel 1930-2000 FT Eastern Europe Report. SUNDAY 0100-1100, 1800-1830 World Business This Week. Super Channel 1800-1830 FT Business Weekly. Sky News 1200-1400, 2030-2100 FT Business Weekly.



## FINANCIAL TIMES

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Monday March 2 1992

## Buying voters, 'prudently'

IN JAPAN, politicians are bought retail; in Britain, voters are bought wholesale. Politicians in western circles regard such Japanese practices as well, "alien". But alien or not, they are a good deal less expensive. The 24th in discretionary tax cuts that the British government is rumoured to be considering for the Budget due on March 10 is £300 for every likely Conservative voter. How might a prudent government, especially one dedicated to balanced budgets, justify borrowing to fund so handsome an electoral bribe?

Political justifications are not hard to find. What is needed is a tax cut large enough to entice the electors but not so large that it frightens the foreign exchange markets. Unfortunately, too much prudence, like its opposite, might prove imprudent. If the foreign exchange markets were to decide that the electorate had not been bought, the resultant weakness of the pound might limit the scope for interest rate reductions.

Nothing in recent experience suggests that the Treasury is likely to get such a calculation right. But what it would certainly need to do first is rethink its fiscal policy.

The government's announced policy is to balance the budget over the cycle. Cycles can be almost as long as pieces of string. Suppose, however, that this cycle started in 1989, the year of the most recent peak and, not coincidentally, when the present fiscal doctrine was enunciated.

The forecasts of the Institute for Fiscal Studies, adjusted for deteriorating economic prospects, suggest that nominal net borrowing between 1989-90 and 1996-97 could easily be over £200bn. The government might run offsetting surpluses in the remaining years before the next cyclical peak, whenever that is. But the moon might also be made of green cheese.

## Debt ratio

Discretionary tax cuts would throw the current budgetary rationale into the dustbin. A good thing, too, many will say. If one wants a rule, a more sensible one might be to hold the ratio of public sector debt to GDP constant at the current level of 38 per cent, which would imply a public sector borrowing requirement equivalent to about 3 per cent of GDP (£12bn). Alternatively, the pub-

lic sector debt ratio could be targeted at 60 per cent, the ratio agreed at Maastricht, which would allow huge amounts of borrowing. Some argue that no fiscal rule makes sense, especially with monetary policy fixed in the ERM vice. Fiscal policy should be far more flexible than hitherto. The combination of a fixed exchange rate with fiscal fine-tuning would bring the UK most of the way back to the demand-managing 1960s.

## Fiscal boost

In short, should the government wish to abandon its past policy to justify an expansionary Budget, it can easily find a rationale for doing so. Nor would it be possible to condemn the route out of hand. Not only are any likely discretionary fiscal changes small against those that have already occurred in recent years, but demand is unquestionably depressed. Particularly if inflation were going to fall swiftly to the best European levels, a fiscal boost could be justified.

Nevertheless, this does not look the right route, above all for this government. The cyclical timing of any demand-oriented fiscal manipulation would only be as good as the forecasting models. Worse, a burst of creditable medium-term rationales, fiscal policy would dance to the tune of the moment. Since deficits are far easier to create than surpluses, the probable result would be inexorable pressure on public spending and a steady increase in the burden of public debt.

The likely medium-term combination of a tight monetary policy with a deterioration in the structural fiscal position is frightening. It looks especially risky for a country with a substantial current account deficit in the midst of a deep recession, above all if the tax cuts were largely aimed at boosting consumption.

Even politically it might be better for the government to stick to the hairshirt it has long made its own. To attempt to buy the election at this late stage would look like panic. The government can rightly argue that the recession is the necessary fruit of a disinflationary policy on which both parties are agreed, but that it alone has been prepared to do what was needed. This, not abandoning its well-established fiscal position, is now its only plausible defence.

## Indian budget for business

ROLLING BACK decades of central, bureaucratic control in India is a huge task. The government of prime minister P. V. Narasimha Rao began it last year, under the stimulus of a balance of payments crisis. With foreign exchange reserves now restored, this year's budget was to prove the evidence that the attempt at reform was both serious and for the long term. A great deal was at stake when Dr Manmohan Singh, the finance minister, unveiled the 1992-93 budget on Saturday.

The government's determination to press ahead with reform is impressive. Dr Singh's budget has moved faster in some areas than might have been expected, and more slowly in others than might have been hoped. But the overall direction is clear: Dr Singh has maintained momentum.

The opening of the Indian economy to the world has been accelerated. Tariffs are now to be cut, modestly at first, but with a commitment to bringing them down to levels comparable to those of industrialising developing countries. Dr Singh has taken a big step towards the dismantling of the licence "raj", by removing licence requirements from most imports. His move towards rupee convertibility has also come sooner than expected.

Financial markets  
Dr Singh's financial reforms seek to balance the diminishing role of the state by stimulating the flow of private capital. His measures - including removal of government control over stock issues, exemption of financial assets from wealth tax, indexing of capital gains for inflation, and considering permission of direct portfolio equity investment by foreign institutions - are good news for India's financial markets. In its encouragement of private enterprise and competition, this amounts to a radical budget.

5.5 to 6 per cent of GDP means general cuts in subsidies - the government has still to tackle the grossly overmanned and inefficient public sector; both state industries and the bureaucracy.

Policy on closure of chronically "sick" industries has advanced only a little, with the allocation of capital for a National Renewal Fund. It continues to proceed cautiously on privatisation, selling only minority stakes and providing little incentive for improvements to their management and efficiency. Banking reform, urgently needed to underpin change, has only been partially addressed.

## Job losses

Evidently, the government has not decided it is politically safe to take measures potentially causing large job losses when the economy is already suffering from measures taken last year to tighten liquidity and restrict imports. Economies and politics could yet derail the government.

The biggest economic risk is that inflation will not fall as the government projects, forcing a renewed tightening of monetary policy. Hitting the targets for both higher growth and lower inflation would certainly be an achievement.

Politically, Dr Singh is treading in a minefield, as was shown last week, when he was attacked for purportedly discussing budget secrets with the World Bank. The opposition parties, which so far have not had the will to unseat a government confronting problems that they would otherwise have to face, have recently been sharpening their teeth. Wholehearted support within the governing Congress party, which has overseen most of the years of central control and socialism, cannot be taken for granted.

Yet Mr Rao and Dr Singh are engaged in nothing less than the transformation of India and the sloughing off of the fears left by colonial domination. A very long road lies ahead. It is in India's interest that it be allowed to continue upon it.



The Earth Summit is the ultimate in global get-togethers. It is still more than three months away. But the next few weeks should determine whether this grandly named event lives up to its billing of saving the planet for future generations.

Dozens of delegations from all round the world are in New York for a final, gruelling five-week preparatory meeting. The intention is that they should draw up an agenda for the Summit and agree to spend hundreds of billions of dollars on a massive environmental rescue plan. Their achievements will be put before the Earth Summit itself in Rio de Janeiro in June on an occasion to which the heads of state or government of 186 countries have been invited.

Will they succeed? The Earth Summit is not a clear winner. Its aims are worthy, not to say timely, and clearly reflect mounting global unease about the environmental problems of the planet's inhabitants. (Some 3,000 environmental lobby groups will be attending Rio too.) But the enormous scale of its ambitions has already provoked the sceptics to wonder whether it will turn out to be more than a giant jamboree. There is also doubt about some of the more alarming-sounding ecological premises on which it is built, and some observers wonder whether it is even addressing the right issues.

One way to get a sense of the Earth Summit is by visiting a grand but rather faded mansion on the leafy outskirts of Geneva where a group of United Nations officials has been labouring on the preparations for the last two years. Here, in an annex, stands a pile of reports four feet high, containing 15,000 pages of submissions from 105 countries. This is the raw material for the Summit, listing all these countries' green worries, and what want done about them.

According to Mr Lars Hyttinen, a Finn who has had the unenviable job of ploughing his way through the reports, they contain the clear message: "The world is on the wrong track." Wherever you look, people are worried about the land, the air, the water. They want urgent action to safeguard natural resources and deal with the environmental damage caused by poverty as much as by industrialisation.

But while the message may be clear, the evolution of the Earth Summit idea has been far from straightforward. What began as a plan to convene a historic gathering to clean up the world has evolved into an enormous and highly complex exercise in global economics, social policy and also taken its toll: an important initiative to save the rain forests has fallen by the wayside because nobody can agree on who is really to blame for their destruction (all documents now refer only to "forests"). And while officials in Geneva have costed their plan at a staggering \$150bn a year for the foreseeable future, no one has yet promised to foot more than a small fraction of this bill.

The centrepiece of the summit will be an "Earth Charter" which will commit signatories to restore and protect the world's ecology. This will be backed by detailed plans for action. The main one will be Agenda 21, an 800-page list of tasks extending into the 21st century. There will also be conventions to prevent climate change, and to protect the diversity of the world's living things.

Mr Maurice Strong, the Canadian organiser of the summit, has been touring the world trying to drum up support, and urge political leaders to attend. "For years we have been trying to get the attention of the world leaders," he says. "Now we have got them, we mustn't miss the opportunity. If Rio were to break down, picking up the threads would be very

The Earth Summit is preparing a mighty agenda, but some critics doubt it will address the right questions, writes David Lascelles

## Life, the universe and everything



time-consuming."

But even now, Mr Strong's guest list has some conspicuous gaps in it. While government heads in many industrialised countries like Britain, Germany and Japan have told him they will come, President Bush has yet to say yes. Without the US, the world's greatest source of greenhouse gases but also of clean-up money, the event could well be a flop.

One reason why the Earth Summit has assumed such enormous proportions is that Mr Strong and his colleagues believe that it must tackle not just the symptoms of environmental damage, but the causes. It is not merely a matter of cleaning the world up, they argue, but also of ensuring that the Summit agrees on a pattern of economic growth that will avoid causing fresh damage in the future.

This has widened the Rio agenda to include a whole set of measures to encourage what has come to be known as "sustainable growth". These are aimed principally at the industrialised countries whose waste of resources is blamed not just for damaging the environment, but also for denuding Third World countries of their natural riches.

However, the whole thrust of the debate has moved well beyond the role played by advanced countries and into the realm of North-South relations. Virtually all the documents that have been prepared for the New

York meeting stress the need for huge transfers of funds and technology from the richer to the poorer countries to enable them to deal with their environmental problems.

This is based partly on the view that the industrial countries are responsible for much of the damage that has been done to the Third World and should therefore pay for it. But in economic terms, UN officials argue that many of the world's greatest environmental problems result from poverty. Poor countries, living from hand

to mouth, have to chop down trees and hack away the land simply to survive. They cannot afford to invest in new, environmentally friendly technology. Worst of all, the heavy burden of debt and the protectionist barriers erected by the industrialised world prevent them from breaking out of their predicament.

Even though the industrialised countries actually produce most of the pollution, Mr Strong maintains that investment in environmental

controls in the Third World is potentially far more productive. He points to the example of China which wants to double its gross national product over the next 12 years, yet it has 750,000 old industrial boilers which belch smoke into the sky. Unless such problems are dealt with soon, "by the next century the developing countries will be contributing more greenhouse gases than we are," he warns.

However, the emergence of Third World issues at the top of the Rio agenda has led to suggestions that the summit will merely dress up the old arguments for more aid in newly fashionable green-tinted garments. The numbers certainly reinforce this impression. The annual figure of \$125bn produced by the Rio secretariat represents not the global clean-up bill, merely the amount of money needed by the Third World in the form of aid, debt forgiveness or technology transfers to achieve its goals. At the moment, actual aid that falls into these categories amounts to \$65bn, implying a need for some \$70bn a year in new money.

By any measure, the numbers look extravagant, and could jeopardise Rio simply through their size. They include, for example, \$150n-\$200n a year merely to operate an information exchange to channel details of green technology to the Third World - something that probably be done for a fraction of the cost.

Mr Strong admits that the sums are large, and that he is asking for the money at a bad time from the recession-hit donors' point of view. But he says "no one faints or explodes" when he presented them to aid ministers. He has a lower set of figures for actual negotiating purposes, but he declines to discuss them.

The actual amounts of money needed to make Rio a success are less important, he believes, than creating the necessary impetus on world opinion, and bringing the issues alive in particular, he says the industrial world must learn "to make space" for the Third World. "The absorptive capacity of the eco-system is being pre-empted by the North," he warns.

Donor countries will also have to be convinced that the ecological problems are as threatening as Mr Strong's team maintain that they are. For example, scientists have recently scaled back some of their more alarming forecasts about global warming. This has weakened the European Community's case for a carbon tax, it now seems unlikely that this will feature as strongly on the Rio agenda as was once thought, though Mr Carlo Ripa di Meana, the EC Environment Commissioner, is determined that the EC should be prepared to adopt measures that will set the right example.

There is also a question whether the summit is even addressing the right questions. If Third World development has been identified as the most pressing problem, the Rio participants might do better to confront more relevant issues, such as the trade barriers and agricultural subsidies by which rich countries keep out exports from the Third World. If, on the other hand, global warming is the most urgent question, perhaps Rio should aim for a few specific measures to curb emissions, rather than go for a grand but possibly unachievable solution.

With such a mighty agenda before them, few of the participants are willing to speculate about the outcome at this stage. The European Community, one of the few to have come out with a position paper in advance of the New York meeting, has a "special responsibility" to encourage sustainable growth. It also agrees that more money should be given to the Third World, though it opposes the creation of any new agencies to disburse it.

Japan is also making supportive noises, and will be chairing an informal meeting of eminent international persons in Tokyo next month to discuss ways of raising new money. But Japan is believed to have asked that marine mammals are not included in the summit because of its controversial whaling activities.

The highest uncertainty remains the US position. In the coming weeks, President Bush will come under intense pressure from the environmental lobby to declare support for the Summit. But politically, that could ensure him into commitments to introduce severe emission-curtailing measures. The US has already been accused by the Worldwide Fund for Nature and Greenpeace of dragging its feet in negotiations for the convention on climate change.

What the New York meeting should show are the limits to what is realistically achievable in Rio. The secretariat has deliberately set a highly ambitious agenda to drive home the scale of the problem. But it also risks overwhelming the participants with issues and costs.

The result will almost certainly be consensus on the need for action, though there will be differences on how much and by whom. The chief issue, as always, will be money. But the secretariat has made clear that it will be satisfied with promises rather than signed cheques. Mr Joe Wheeler, the director of the change of financial matters, says: "We are looking for less than pledges of new money, but for more than generalities. What we want is a credible statement of intentions."

## Overpowering Burton

■ The latest unseemly squabble between the high street retailer, over the future of two long-serving non-executive directors, is instructive. Does a new chairman have a right, like an incoming prime minister, to demand that his non-executive directors offer their resignations on his arrival in office?

As the rumour mill has it, the directors in question - Lord Rice and Mark Littman - have been pressed by Sir John Hoskyns, the chairman, to quit. The two are widely seen as the last survivors from the Sir Ralph Halpern era of corporate excess.

Rice and Littman have, however, refused to budge. They do not challenge the right of a new chairman to reshuffle his board of directors. On the other hand it is the directors who appoint the chairman and the shareholders who appoint the directors.

While one can debate Rice and Littman's record as non-executive directors, their firm stance on this issue attracts sympathy. Thanks to last year's rights issue, Burton's finances have been stabilised, but there remain serious doubts about its longer term retailing strategy. Permitting a chairman to replace his own board puts far too much power in one person's hands. For one thing, it would make it far more difficult to sack Sir John Hoskyns himself.

## Imprudent

■ It is the first time that anyone can remember that someone has tried to wind up the Pru, Britain's biggest investor. But there it is for all to see in the pages of The London Gazette, no less. The petition was presented on February 7th by Topbrand Electronic, which claims to be a creditor. It is understood that the matter has now been settled but

## OBSERVER

the legal machinery has been set in motion so the time when the Pru will have to appear in court in Manchester on March 12th, or as soon as the petition can be heard.

While the petition is clearly ridiculous, it is embarrassing for the Pru. It means that any one else owed money can pop up in court and support the winding up petition. It could be a legal day for the crackpots. Which member of the Pru's legal department let this lulu slip through?

## Mused

■ Observer would like to thank respondents to last week's "Busting" teaser for their ingenuity. The winner of the prize was the one who suggested that the first reader correctly to identify the reference concerning advances French insurance Assurances Générales de France is making on the reluctant man over Aachen-based German group Aachen & Münchener, which has other ideas about how it wishes to pursue its European liaisons. AGF has accumulated a 25 per cent stake in AME, but the Germans have been refusing to register the bulk of the shares - hence "your stock is not voted". For readers who skipped Greek classes, "epithalamium" is the nuptial song serenading the unhappy pair - joined in matrimony as yet only in the minds of stockmarket rumour-mongers.

## Over-breeding

The proposed Scottish parliament is growing at a grotesque rate. Under proposals discussed by the Scottish Constitutional Convention on Friday, the Edinburgh parliament could have as many as 194 members. Add in the 72 MPs who the Scots intend to keep at Westminster and the Scot-



"It was leap year of 1964 when I got down on my knee and asked him not to marry me."

tish MP could become almost as common as the Scottish CA. Furthermore, under the plan, each MP in Edinburgh will have an office, secretarial facilities, at least one researcher paid for by the parliament, a computer hotline to government offices and access to a library staffed with researches and replete with "the latest computer technology." The MPs will also have office space in their constituencies, and child care and day care facilities in the parliament.

## Advertising dregs

■ One of the advertising industry's more boring buzzwords is "globalisation", the notion that a product-promoting campaign can be extended across different cultures and countries. But like so much else

in advertising it is a pretty absurd idea. Take the Nestlé Gold Blend ads. For some four-and-a-half years, commercial television viewers in the UK have witnessed the development of a "romantic" saga between a yuppie couple, whose lives appear full of angst and anomie except for the brief moments when they share a cup of Nestlé Gold Blend instant coffee.

Now the joyless duo have been transferred to the US, where they are continuing their angsty existence; but this time over a cup of Nestlé's Taster's Choice. Funny that they prefer a different coffee when in Britain, but never mind. Nobody is taking much notice, least of all McCann-Erickson, the ad agency behind the campaign. It is standing behind its own corporate advertisements which stress "the branding on the ads is so strong, no-one ever mistakes them" for other brands of coffee.

## Fax of life

■ Staff at the Central Statistical Office are clearly trying to impress their new boss, Australia's Bill McLennan, who takes over as Britain's top number-cruncher today. The Australian economy might not be up to much, but his statistics are jolly good and there are high hopes that McLennan will be able to work the same sort of magic at a CSO which has had trouble shaking off its dozy image. So will the gung-ho Australian be impressed by the CSO's latest innovation - Statfax?

In what could be another cruel blow to London's dwindling army of motorbike messengers, the CSO is now offering to fax important statistical press releases within minutes of publication. A list of publication dates for economic statistics can be obtained by polling 0336 415045 from a fax machine. Unfortunately, Observer was unable to understand the footnotes to the CSO's Statfax instructions.

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The oil company is running against the tide of global retrenchment, writes William Dawkins

## Giant strides for the French Elf

Elf Aquitaine, the French oil group, attracted anxious stares from its competitors last month when it became the first big western oil company to sign production-sharing deals in the former Soviet Union.

The agreements, in Kazakhstan and Russia, are the fruit of nearly three years of painstaking negotiation with the chaotically changing bureaucracies involved, by Mr Loth Le Floch-Prigent, the bearded Breton who is Elf's chairman. They give Elf a share in what some observers believe may be the equivalent of a new Kuwait – or what could equally be a costly folly.

"Just tell me where in the world the oil business is not risky. Tell me which nation in the world knows what its energy policy will be 10 years from now," riposted Mr Le Floch-Prigent. If all goes to plan, Russia and Kazakhstan will provide 20 per cent of Elf's reserves by 2000.

Elf's ambition in the east is the most startling illustration yet of why the state-controlled company has become such a puzzle to the world oil industry. At a time when bigger competitors have been

mainly an oil-producing company with weak refining interests, plus chemicals and pharmaceutical businesses. Atochem and Sanofi. Traditionally, the group's job had been to find oil and gas for France, which explains why it is one of the few oil groups today able to produce as much as – in fact, a bit more than – it refines.

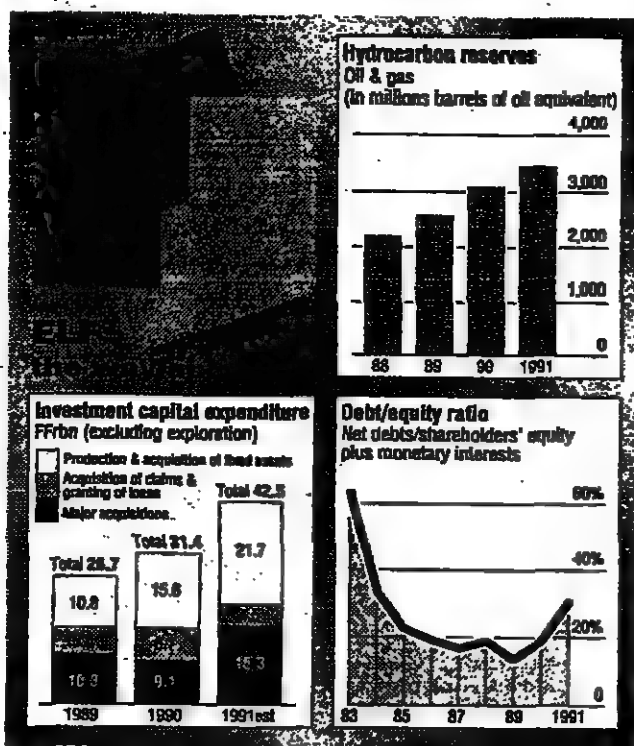
Historically, the government has taken an active role in Elf's strategy. For example, it lent on the company twice, in the early 1980s and towards the end of the decade, to help prop up parts of the then troubled state chemicals industry.

Today, Mr Le Floch-Prigent has been given a freer hand in setting and carrying out objectives than his predecessors. This is an important element in the changes at Elf, and in line with the gradual withdrawal of French state influence from trouble-free areas of the public sector. He welcomes the government's plans to sell a 2 per cent stake in Elf's equity. It currently owns 33.8 per cent.

It is a mark of his new degree of independence that Mr Le Floch-Prigent successfully resisted government pressure, soon after his arrival, to sell Terasaguit, a loss-making US mineral chemicals group acquired by a predecessor in 1981. Instead, he kept the business and wrote down \$800m of Terasaguit's assets.

Mr Le Floch-Prigent's business plan, which he says is not quite complete, has been to turn the loose French-oriented conglomerate of oil-related businesses that he inherited into an international integrated oil group. That means getting a balance between upstream, or production and exploration, and downstream activities – refining, marketing, chemicals and pharmaceuticals – as well as broadening international coverage in all sectors.

The thinking behind this is to use the downstream businesses to produce the cash needed to fund the capital-hungry and volatile upstream divisions, he explains. Last year, upstream and downstream businesses accounted for an equal share of operating earnings for the first time, a sign



that Elf really is getting its businesses to balance.

Upstream, Elf has over the past three years bought acreage in the North Sea and west Africa, so lifting production by more than 40 per cent – an unusually big jump for the industry – to 760,000 barrels per day.

Mr Le Floch-Prigent sees Russia and Kazakhstan as the natural next area for development because they are in his own backyard. "Just as a New York oil company would look at Los Angeles, so we look at the ex-Soviet Union. It's only three and a half hours on the plane," he says.

Downstream, he has been more active, if only because this side of Elf's business used to be undercapitalised, representing a third of operating earnings three years ago.

There are the acquisitions of Amoco's refinery and filling stations in the UK – incidentally Elf's first big refinery outside France; nearly all the Heron petrol station network; a big minority stake in Cepes,

Spain's second-largest oil refiner; and Minol, the former east German filling station monopoly. In chemicals, there is the takeover of Pennwalt in the US, and in pharmaceuticals, the alliance between Sanofi and Sterling Drug, the medium-sized US drug maker.

Contrary to popular myth, Elf has not financed its ambitions with state subsidies, nor with excessive debt. Most of the cash has come from Elf's FF27bn per year cashflow, while the group has also allowed itself a moderate increase in debt, from 12 per cent of shareholders' capital three years ago to 30 per cent now. At that level, its gearing is still medium to low for the industry, between BP's 68 per cent and Shell's 11 per cent.

Elf has also sought to reduce the cost of acquisitions by paying with shares – by, for example, putting part of its stake in Enterprise Oil, the UK exploration and production company, towards the acquisition of Occidental Petroleum's North Sea interests. Nor did

any cash change hands in the Sterling Drug alliance, set up as a straight merger – a model that Mr Le Floch-Prigent aims to use again in future link-ups.

If his three-year mandate is renewed, as seems likely, in June, he reckons his work at Elf is far from over. He wants to reduce the company's dependence on oil production in Europe and Africa – 96 per cent of the total – by striking new agreements in the Middle East before the Russian fields come on stream. The chemicals and pharmaceutical businesses need a big partner in Japan, he adds.

Elf's stubbornly low share price is a perennial disappointment to Mr Le Floch-Prigent, and a consequence of the state's ownership, according to some of his executives. "I don't criticise the market, but I point out that it is disappointing that the market values us as if we were just an oil business, with no chemicals or pharmaceuticals and all the cashflow they produce," he complains.

On this basis, he thinks the price/earnings ratio should be more than 15, in line with the bigger oil companies, rather than its current level of nearly 10 times historic earnings. Elf tried to improve the marketability of its shares by realising a long-held dream of getting a New York listing last June, since when Mr Le Floch-Prigent has made frequent trips to New York to try to persuade analysts that Elf is undervalued.

As for whether being state-owned is an advantage or a handicap, Mr Le Floch-Prigent refuses to be drawn, as well anyone might whose job lies in the lap of God, as Mr Mitterrand is jokingly called in the civil service.

All the Elf chairman will say is "I am satisfied with my shareholder because it has allowed me to carry out a good strategy for Elf."

Being French might have been an advantage in the early stages of the Russian contracts, when Mikhail Gorbachev was in power, on the ground that the Soviet Union's left happy dealing with a Socialist government. But state ownership was irrelevant, says an industry official. "Exxon is always seen as the Bush oil group and we are always seen as the Mitterrand oil group in international negotiations. The oil business is political the world over," he says.

Whatever the reason, Elf's transformation over the past three years provides a rare case study of how a nationally based oil conglomerate is trying to turn itself into a coherent international group. The risks are enormous, but then Elf is in a risky business.

## When bureaucrats are brought to book

Andrew Hill on the implications of a legal challenge to European Commission rulings

As a headline, "Brussels Stammered For Lack Of Bureaucracy" is from the same school as "Man Bites Dog" – unexpected, unbelievable and eminently newsworthy.

That was certainly the impact of last Thursday's unprecedented court decision condemning the European Commission for failing to apply all the red tape required by its own internal administrative rules.

The EC's lower judicial body, the Court of First Instance (CFI), quashed the Ecu23.5m (£16.56m) fine levied on 14 of Europe's largest chemical companies in 1988 for operating a cartel in the manufacture of polyvinyl chloride (PVC).

As Brussels' work-hungry lawyers have been quick to realise, that could be only the beginning. Some believe that competition decisions going back years in particular, fines imposed on cartels and on companies which abused their dominant position could be overturned on the same grounds.

At the same time, the court judgement, the latest in a series of rulings criticising procedural faults, calls into question the way the increasingly powerful Brussels bureaucracy works.

As one competition official put it following Thursday's ruling: "No act of the Commission in the past 25 years has followed the procedure that the Court of First Instance would like us to follow."

Appeals based on Thursday's ruling would not be trivial. As the confidence of the Commission's competition directorate has grown under successive commissioners, Mr Peter Sutherland and Sir Leon Brittan, so have its punishments. They range from last week's Ecu750,000 fine on Aer Lingus, for a restrictive ticketing operation, to last July's record Ecu75m fine imposed on Tetra Pak, the Swiss-Swedish packaging group, for abusing its dominant position in the EC market.

Since the 1960s, the Commission now working at a rate of 8,000 decisions a year has been taking short-cuts past its own strict internal rules. Those

rules require official decisions, sometimes in all nine Community languages, to be signed by Mr Jacques Delors, the president, and Mr David Williamson, the Commission's secretary general.

But to speed the process, Mr Delors and Mr Williamson routinely sign only the minutes of the meetings where such decisions are taken. Legally, according to the CFI, such decisions do not exist. The Commission, not surprisingly, is to challenge the CFI ruling in the European Court of Justice, the EC's highest judicial body.

Whether every company ever fined by the Commission has a case is debatable. In theory, appeals against Commission decisions have to be lodged with the CFI within two months. But some lawyers argue that if the original deci-

The competition directorate has found itself at the wrong end of a string of judgements

sion was "non-existent", then the deadline itself is meaningless.

Some appeals are already under way. The two largest fines ever imposed by the Commission – the one on Tetra Pak, and the Ecu47m fine levied on Solvay of Belgium and ICI of Britain in 1990, for operating a cartel in the soda-ash market – are being challenged.

Whether the latest CFI ruling becomes a factor in these cases will hinge on how far they have got. It will also depend on the extent to which the companies' lawyers are already using procedural arguments against the Commission.

Individual circumstances will play an important part. In the case of the PVC cartel, the wider implications of the companies' successful appeal have been clouded by certain specific criticisms of the procedure relating to this decision.

In an attempt to head off further appeals, the Commission is likely to seek a Euro-

pean Court ruling which supports its internal procedure even if it upholds criticisms specific to the PVC decision. There is no doubt, however, that for Sir Leon Brittan and the Commission's competition directorate often attacked for their own legal nit-picking this is an embarrassment.

In a speech last September on competition policy and procedures, Sir Leon, himself a lawyer, criticised companies for bringing complaints to the court which "usually turn out on analysis to be no more than a procedural quibble", and urged them to concentrate on "the substance of administrative justice".

But in the last month, the competition directorate has found itself at the wrong end of a string of judgements overturning Commission decisions on procedural technicalities. Most notably, the Commission's attempt to force British Aerospace to repay "sweeteners" it received from the government as part of the purchase of Rover, the UK car company, was overturned.

Such judgements have hinged more on the court's interpretation of the EC treaty's requirements. But lawyers involved in the PVC case suggested last week that the CFI was equally fed up with Brussels bureaucrats flouting their own rules, even for good reasons such as efficiency and confidentiality.

As the CFI itself said in its ruling: "All those formal requirements governing the drawing up, adoption and authentication of measures are necessary in order to guarantee the stability of the legal order and legal certainty for those subject to measures adopted by Community institutions."

Competition officials in Brussels are exasperated by what they see as the court's prickly attitude. "We are talking about how many angels can dance on the head of a pin here," said one. But as most EC lawyers are quick to point out, if the Commission cannot abide by legal technicalities, why should the companies which submit to its decisions?

## LETTERS

### Manufacturing disability

From D A A Faganelli

Sir, commenting on Ford's evolving policy in Britain, "Developing cars across borders", February 27, you missed an opportunity to relate Germany's natural (sic) advantage in respect of development engineers with two pages of newly qualified chartered accountants who will doubtless spread across British industry to join their brethren under Mr P A Davis's (Letters February 26) guiding hand.

There has to be some rational explanation for our overall manufacturing disability. Perhaps we suffer from some natural disadvantage to which you might address your attention. D A A Faganelli, 6 Allyn Park, Duxbury, London SE21 8AE.

### Guinness juror argues that fraud trials not too complex for juries

From Mrs Edna Wijeratna

Sir, As the chairman of the jury in the recently collapsed second Guinness trial, I am taking the unusual step of writing to you following the article by Justinian ("How to avoid trial by ordeal", February 26), when he refers to the need to reconsider the use of a jury in fraud cases. This has been argued a number of times of late, on the grounds that juries find such cases hard to understand and force the trials to become unreasonably long. In fact, the Guinness jury did not find it unduly difficult to understand the material, and their chief frustration was the very slow rate of progress, caused chiefly by the way in

which Mr Roger Seelig conducted his own defence. They were disappointed and angry when the trial ended with justice neither done nor seen to be done, and many of them wondered whether the consideration extended to Mr Seelig would have been forthcoming for a defendant in humbler circumstances. This is not, of course, to imply anything on the issue of his innocence or guilt.

Members of the legal profession have a way of writing about juries as if it were universally recognised that they are composed of people vastly inferior in understanding to their august selves.

This seems to bear no relation to reality, at least as far as Guinness is concerned. It deflects attention from the real problems which need to be tackled in the handling of fraud cases.

It seems particularly necessary to make these points when some are arguing that the problems of trying fraud cases by jury are such that it would be better to take them out of the criminal law altogether. Surely the legal profession will have failed society if a thief ceases to be considered a thief, or a cheat a cheat, provided he operates with sufficient sophistication.

Edna Wijeratna, 75 Blenheim Crescent, London W11 1NZ

### Too complex

From Mr John Lyle

Sir, As an engineer more highly regarded overseas, the implication that specialist engineers cannot communicate well and think laterally ("Engineers and a welding job", February 25) is unfair. Although the article correctly noted that part of the blame for our low status rests with engineers, the prime problem with engineering is it is too complex for many City folk to understand. John Lyle, HW (Korea), 7th Shingpoong Building, 740-14 Yulsam Dong, Kangnam-Gu, Seoul, South Korea

### Failure of many quality programmes no surprise

From Mr Simon Greenly

Sir, Tony Gill (Letters, February 21) may have been disappointed by Christopher Lorenz's (Management February 17), but we are disappointed with Tony Gill. He has fallen into the trap of taking one theme, in his case systemic thinking, and presenting it as a universal business panacea. Systemic thinking is only one element of the total system quality approach. This requires examination of the company as a whole. We call it the house of change.

Its three main building blocks are the company environment, organisation and

systems. We deliberately use the word environment, culture is too narrow a concept.

Supporting these must be a communication system and a management education process.

Above everything, change requires leadership, and when we say leadership we do not mean management. Given the half-hearted approach of both management and consultants to total quality, it is not surprising that a recent survey suggests that eight out of ten quality programmes taking place in the UK are failing. Leaders of British industry must understand

the total system quality approach and why they need to commit to it and then protect it.

When leaders stop leading, followers stop following. That is the real crisis that business is facing in the UK.

Simon Greenly, chairman, Greenly's, 39 Thomas Street, Windsor, Berkshire SL4 1PR

**Fax service**  
LETTERS may be based on 071-477 3888. They should be clearly typed and not handwritten. Please send the originals for the reproduction.

### Two ways to resolving the possibility of GATT failure

From Mr John Howell

Sir, The accounts you carry of the various contingency plans in the event of the multi-lateral trade system breaking down as a result of failure to reach agreement in the Uruguay Round are getting progressively more depressing; and now you report (Commodities and Agriculture, February 27) the prospect of "hand to hand combat" between Europe and America. Last conspicuously reported, although diligently analysed by my colleagues Adrian Hewitt and Sheila Page, are the severely damaging consequences for developing countries if world trade is to break up into regional blocs. It is ludicrous that so much damage

to the world economy should be triggered by a failure to reach a political agreement on agricultural protection in Europe and North America.

There appear to be two main ways of resolving this. The best solution is clearly a political initiative at the heads of government level. The prime minister, when chairing the G7 London summit, undertook that leaders would knock heads together if the negotiations did not reach a prompt, and now overdue, Uruguay Round settlement. Election or no election, the time has now come for Mr Major to take action. The thing is no less delicious for presidents Bush and Mitterrand, who are also

confronting awkward electoral calendars. The General Agreement on Tariffs and Trade talks have now been going on for 5½ years and action should be taken to agree a comprehensive settlement, based broadly on the present Dunkel draft, by the end of next month.

If this proves impossible, the alternative solution (and one barely worthy of the term the second-best) was hinted at by Lord Trefgarne (Letters, January 10). Temperate agriculture could be dropped from the Uruguay Round and a settlement agreed forthwith on everything else. For those who profess to believe in an open trading system it is nonsense, of course, to leave agricultural produc-

tion and trade outside the norms and rules of the GATT. But if such nonsense enables progress on other fronts it may be acceptable nonsense. Achievements on textiles, services, manufactures, and in installing in scores of once defunctly protectionist developing countries the firm belief that they can benefit from free trade, are considerable and must not be put in jeopardy by politically-driven stubbornness of tragic proportions.

John Howell, director, Overseas Development Institute, Regent's College, Regent's Park, London NW1 4NS

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## COMPANIES AND FINANCE

## Redland resumes attack on Steetley's European quarries

By Andrew Taylor, Construction Correspondent

REDLAND, which this week expects to hear that it can proceed with its £600m contested bid for rival UK building materials group Steetley, yesterday resumed its attack on the quality of Steetley's continental European aggregate business.

Mr Peter Lilley, the trade secretary, is expected to announce within the next few days that Redland has given sufficient undertakings - to dispose of businesses where it would acquire a dominant market position - to allow the takeover to proceed. Redland has offered to sell two brick plants in south-east England and to dispose of Steetley's clay tile operations if its offer for the company succeeds.

Under takeover panel rules, Steetley must publish its final defence document within two days of the bid being cleared by Mr Lilley.

Redland, which has hired external consultants to investigate Steetley's quarries in France and Spain, said yesterday that the Spanish reserves were lower than Steetley had implied when it bought the business in 1988. The group said that inspection of the sites, geological studies and interviews with local people had revealed that the Spanish reserves were no more than 30m tonnes. Of this, only half was likely to get planning permission because some of the sites would be affected by plans to establish a nature reserve in the area.

When it announced the purchase of five connected companies in the Madrid area for £24.6m Steetley said there were 30m tonnes of proven sand and gravel reserves at current production rates. Redland said that this had implied reserves

of at least 48m tonnes. It estimated that Steetley had earned profits of £7m on its Spanish businesses last year "despite having invested between £50m and £70m in Spain since 1988."

Last week Redland also claimed that Steetley's French aggregate reserves were also much less than the group had previously indicated.

Mr Richard Miles, Steetley's chief executive, said last night: "This increasingly strident barrage of asset bashing is a deliberately misleading attempt at scaring our shareholders into parting with their assets on the cheap. It of course avoids mention of Steetley management's proven ability to deliver above-average earnings."

He said Steetley would provide a breakdown of its asset value and earnings potential "at the appropriate time, and not before."

## Gt Portland sells Bride Hall stake

By Vanessa Houlder, Property Correspondent

GREAT Portland Estates, the property investment company, has sold its 50 per cent stake in Bride Hall, the developer and trader, in a complex deal.

Great Portland is making a loss of £14m on the sale of its stake to a trust of Mr Danny Desmond, its partner in Bride Hall for an initial £500,000. As Great Portland is withdrawing from development for trading purposes it is treating the loss as an extraordinary item.

Great Portland is also buying one of Bride Hall's properties in the Euston Road, which has just been valued at £22m, for its full acquisition and development cost of £29m. Great Portland will charge £700,000 of the loss to its trading profits for the year to March 31 1992 and will take £2m to its revaluation reserve.

The 65,000 sq ft Euston Road building, one of the largest schemes in Bride Hall's portfolio, is pre-let to Gestetner Holdings. In 1987 Great Portland provided a guarantee to Barclays Bank for the project and agreed to make good any shortfall between the amount owed and the proceeds from the sale of the building, without recourse to Bride Hall.

Great Portland is raising £20m by a further issue of 10% per cent First Mortgage Debenture Stock 2021 to finance further property investment and development.

The company confirmed its intention to maintain its dividend.

## Drug problem damages corporate health

Paul Abrahams and Daniel Green chart the tribulations of Fisons

AN AIR of bruised defensiveness hangs the boardroom of Fisons these days.

The group, which is likely to report tomorrow a drop in pre-tax profits from £230m in 1990 to around £190m last year, is still coming to terms with the resignation in January of Mr John Kerridge, its executive chairman. A US ban on two of its best-selling products, which has cost it more than £65m in lost profits, continues to torment the company.

Meanwhile, Fisons' relationship with the City of London remains sticky.

A romance lasting nearly a decade of sustained growth turned sour in the closing months of 1990 as it became clear that visits by the US Food and Drug Administration (FDA), which controls which drugs are sold in the US, had uncovered a series of manufacturing problems.

In addition, institutions became exasperated at the persistent failure of Fisons, the asthma drug and the company's great hope for the 1990s, to gain US approval. Repeated promises that the drug was on the verge of approval were broken. Nearly two years later the City is still waiting.

If that were not enough, investors received a series of nasty surprises during the autumn of 1990. The company

announced progressively increasing losses arising from the absence of two other drugs, Opticrom and Imferon, from the US market.

This culminated in the profits warning on December 11. Mr Patrick Egan, newly appointed executive chairman, admitted this week that the company had two pressing problems - a replacement for Mr Kerridge and a speedy resolution to its seemingly incessant differences with the FDA over manufacturing quality standards for Opticrom, a hay fever drug, and Imferon, a product for anaemia.

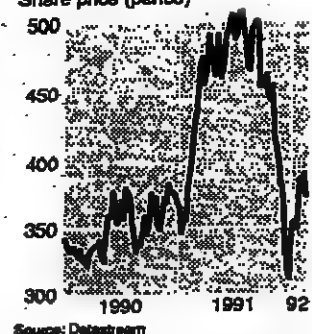
The difficulties with the FDA continue. Mr Egan has said the company does not yet have a date for the visit by FDA inspectors. Analysts had once expected the visit to take place in January or February. A date of mid-March was then mentioned, but there is now speculation the inspectors may not arrive until April.

Mr Egan denied there had been a breakdown in the relationship with the FDA, but admitted there had been slip-ups in the timing of the FDA visit.

He argued, however, that the date was no longer critical because the company has missed the spring hay-fever season for Opticrom. The product should be ready in time for the autumn ragweed season

## Fisons

Share price (pence)



Source: Datastream

which runs between September and November. This period formed the bulk of Opticrom's sales, he added.

Before the withdrawals, Opticrom had annual US sales of about \$40m while Imferon's sales were about \$20m.

Meanwhile, Mr Egan is busy searching for a chief executive. He said he was considering internal and external candidates and expected to make a decision within the next six weeks.

Mr Egan stressed the company's underlying strength and argued that the set-back was only temporary. He insisted the company had a strong pipeline of drugs in the two fields in which it plans to specialise - respiratory and central nervous system pharmaceuticals.

He admitted, however, that the company did not have the resources to develop all of the drugs it discovered, particularly outside its core fields. He expected an acceleration in co-development projects with other companies as well as an increase in the number of products Fisons licenses out.

Nevertheless, he argued that the company had a real mass for its research and development although it was spending only £30m a year. "We don't need to be merged and we don't need to be taken over. We're operating quite nicely," he said.

"I have ruled out a merger with a company of the same size or a larger group."

Mr Egan also said he was not under pressure to sell the scientific instrument division or the horticultural business, even though he was receiving an offer a week for the latter. He was not actively soliciting offers, he added. However he did say he might dispose of bits of the company if he was under pressure to fund drug development.

Meanwhile, Fisons is trying to repair bridges with both the City and the FDA following the ban on its drugs. Both must learn how to trust the company. Mr Egan and whoever he chooses as chief executive will have plenty to do before Fisons feels less battered and bruised.

## Hillsdown to float part of Fairview

By Vanessa Houlder, Property Correspondent

HILLSDOWN Holdings, the diversified food group, is preparing to sell part of Fairview New Homes, its housing subsidiary, in a flotation that could fetch £100m.

The move is in keeping with Hillsdown's decision two years ago to concentrate on its core food business, which accounts for more than 80 per cent of the group.

It has delayed selling the housebuilding subsidiary

because of a reluctance to sell the business at the bottom of the cycle.

The sale is likely to take place later this year or in early 1993, although the exact timing will depend on the state of the stock market.

"The condition of the market will dictate the timing," said a Hillsdown spokesman. "We don't need the money, we are not pressured to complete the sale."

Fairview, which specialises in London flats for first-time buyers, has cut its margins but continued to make profits during the recession.

Hillsdown is planning to make several in-fill acquisitions, priced between £25m and £50m, in the food business.

The group will announce its 1991 figures on March 11. The City is expecting a fall in pre-tax profits from £191m to below £160m.

## Waterman Ptnrshp £235,000 in red

Waterman Partnership, consulting civil and structural engineer, incurred a loss of £235,000 in the half year ended December 31 1991, compared with a profit of £308,000.

Work done fell to £3.84m (£5.22m) and there were further reorganisation costs and provisions, explained managing director Mr Bob Campbell.

However, the group remained cash positive and an interim dividend of 0.5p is declared - half the previous payment. Losses per share were 0.5p, against earnings of 1p.

## Fleming Income raises £92m

Fleming Income & Capital Investment Trust has raised £92m in its offer for subscription, indicating that investors' recent enthusiasm for investment trust launches has yet to be sated, writes Philip Cogan.

The trust, like many other recent offers, had a split capital structure, and was linked to a Personal Equity Plan (PEP). Income and capital gains made within a PEP are free of tax.

Fleming said it received applications for 26.7m package units (comprised of one ordinary income share and one

zero preference share) and 45.5m ordinary income shares. In addition 20.5m package units, 200,000 ordinary income shares and 45.5m zeros have been placed with investors.

PEP applications were received in respect of 18.1m package units and 38.6m ordinary income shares.

Investors can place £8,000 into an investment trust new issue PEP in a tax year. This is double the allowance that can be put in an existing investment trust and the result has been a burst of new issue activity in the sector.

## Kleinwort Benson Olympic adviser

Kleinwort Benson, the international merchant bank, has been appointed financial adviser to Manchester city council and the Manchester Olympic Bid Committee in their efforts to bring the Olympic Games to the UK in the year 2000.

The bank has been advising Manchester council on the financial and risk management aspects of hosting the Games, on the financing of the associated infrastructure construction programme and on opportunities for involving the private sector.

## Allied-Lyons completes sale

Allied-Lyons, the UK food and drinks group, will this week inform the Stock Exchange of the completion of its plans to sell three of its drinks businesses to management in a £140m deal, writes Christopher Wilson.

Plans for the sale were first announced by the company in November as part of a restructuring exercise which involved a refocusing of Allied's strategy around its international brands.

The deal involves Showers, the UK's third largest cider business, being sold to its management headed by managing director Mr John Wilkinson. VPW, which produces British wines, and Warrimaks, Dutch manufacturer of advocaat, are also included in the buy-out.

## CROSS BORDER M&amp;A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Pedro Domecq (Spain)	Unit of Allied-Lyons (UK)	Drinks distrib	£50m	Cash & paper deal
Allied-Lyons (UK)	Modern Maid Food Products (US)	Food coatings	£23m	Dalgety sells, cuts debt
BICC (UK)	KWO (Germany)	Cables	£23m	Buy from Treuhander
Titanium Industries (US)	Titanium Int'l/Reactive Metal Fabricators (UK)	Industrial materials	£7.5m	Combined price
Bank of Scotland (UK)	Finanziaria Italiana Mutui (Italy)	Financial services	£8m	45% stake
Wella Blake Beaton (UK)	Unit of Southern Clay Products (US)	Ceramics	£3m	Planned Laporte disposal
ABN Amro Bank (Holland)	Hoare Govett Europe (UK)	Stockbroking	n/a	Swifac sells European ops
BP Aquitaine (France)	Unit of BP (UK)	Oil refining	n/a	BP continues disposals
Reemtsma (Germany)	Debracen Tobacco Factory (Hungary)	Cigarettes	n/a	Complete sector privatisation
GE Capital (US)	Avis Lease (Belgium/US)	Vehicle leasing	n/a	GE reinforces European growth

Source: FT Mergers &amp; Acquisitions International

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Application has been made to the London Stock Exchange for the Notes to be admitted to the Official List. It is expected that the Notes will be admitted to listing on 4th March, 1992 and that dealings will commence on 6th March, 1992.

Application has been made to the London Stock Exchange for the PIBS to be admitted to the Official List. The PIBS will be admitted to listing on conversion of the Notes.

Listing Particulars dated 27th February, 1992 relating to Skipton Building Society will be included in the Companies Pitches Service available from Eutel Financial Limited, Fincro Way, 13-17 Epworth Street, London EC2A 4DL from 15.00 hours on 3rd March, 1992 and may be obtained during normal business hours by collection only until including 4th March, 1992 from the Company Announcements Office of the London Stock Exchange, Old Broad Street, London EC2M 1HP and until including 16th March, 1992 from:

Skipton Building Society,  
The Bailey,  
Skipton,  
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BS23 1DN

Hoare Govett Corporate Finance Limited,  
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London EC2M 7LE

2nd March, 1992

## PENSION FUND INVESTMENT

The FT proposes to publish this survey on May 7 1992.

The Financial Times is read by more Pension Fund Managers than any other UK publication and reaches 94% of the City as a Whole. If you want to reach this important audience, call

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Data source: The Reading of the City Survey 1990 (FS2)

FINANCIAL TIMES  
LONDON & NEW YORK

## CREDIT LOCAL DE FRANCE - CAECI S.A.

U.S.\$2,000,000,000  
Euro-Medium Term Notes  
SERIES NO.12  
FFC725,000,000 Inverse  
floating rate notes 1996  
TRANCHE NO.1

Notice is hereby given that for the interest period 2 March, 1992 to 1 June, 1992 the notes will bear interest at 3% per annum.

Interest payable on 1 June, 1992 will amount to FF3,791.67 per FFC725,000 denomination.

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## APPLICATION FOR LISTING BY PATHFINDERS GROUP plc

This notice is issued in compliance with the requirements of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The London Stock Exchange"). It does not constitute an invitation to any person to subscribe for, or purchase, any securities.

Application has been made to the London Stock Exchange for the Ordinary Shares of 25p each of Pathfinders Group plc to be admitted to the Official List. It is expected that dealings in such shares will commence on 26th March, 1992.

**PATHFINDERS GROUP plc**  
(Incorporated in England with registered No. 070274)

Cables & Electronics Limited through its non-trading parent company, P&E Holdings Limited, and Successor British Company Ltd.

64,932,725 new Ordinary Shares of 25p each at 10p per share by Williams de Broe Pte.

22,870,000 new Ordinary Shares of 25p each at 10p per share on the basis of 11 for 1.

change of name to

**Maddox Group PLC**  
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Financial advice: **Authorized** **Issued and fully paid**

Present Proposed Ordinary Shares Present Proposed  
£2,500,000 £25,000,000 £2,500,000 £25,000,000

The principal activities of the company are the distribution of electrical and electronic cables, specialty wire and related products, the supply of products and services to the computer services market and an employment agency.

Listing particulars relating to the Company have been approved as required by the listing rules made under section 142 of the Financial Services Act 1986. The listing particulars are included in the Stock Exchange Companies Pitches Service, available from Eutel Financial Limited, 27-45 Finsbury Street, London EC2A 4DL from 3.00 p.m. on 2nd March, 1992 and copies may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) from the Company Announcements Office of the London Stock Exchange, Old Broad Street, London EC2M 1HP. Copies may also be obtained from 6th March, 1992 and up to and including 26th March, 1992 from:

Corporate Finance Department,  
Williams de Broe Pte,  
6 Broadgate,  
London EC2M 2EP

Registered Office:  
32 Mark Lane,  
London EC3R 7BP,  
2nd March, 1992

## Crédit Commercial de France

U.S. \$250,000,000  
Floating Rate Notes due 1997

For the interest period 30th September, 1991 to 31st March, 1992 the amount payable per U.S. \$10,000 Note will be U.S. \$270.00. The relevant interest payments will be 31st March, 1992.

Based on the Luxembourg Stock Exchange.

Bankers Trust Company, London

Agent Bank

## Republic of Venezuela

U.S. \$100,000,000  
Floating Rate Notes due 1993

In accordance with the terms and conditions of the Notes, notice is hereby given, that the interest rate for the interest period from 28th February, 1992 to 28th August, 1992 is 5 1/8% p.a. The Coupon Amount payable on the 28th August, 1992 for notes of U.S. \$10,000 and U.S. \$100,000 is U.S. \$19.10 and U.S. \$191.32 respectively.

Bankers Trust Company, London

Agent Bank

## THE PAKISTAN FUND

1991 INTERIM RESULTS  
The Board of Directors is pleased to announce interim results (unaudited) for the period from 21st May 1991 (date of incorporation) to 31st December 1991.

**CHAIRMAN'S STATEMENT**

I am pleased to report to shareholders that the Pakistan Fund has made good progress since inception over the initial interim period from 11th July to 31st December 1991. The opening of the stockmarket to foreigners as well as the economic reforms announced by the government of Pakistan attracted money from various foreign institutional investors. Local investors' sentiments also improved dramatically on the back of these developments. These factors contributed to the Fund's 48.2% net asset value increase over the period.

However, during the early part of 1992 the stockmarket in Pakistan has experienced a correction. This was due not only to local investors' profit taking but also to the draining of market liquidity by a spate of new issues and the privatisation of several state-owned enterprises. Furthermore, investors became nervous over the developments in Kashmir.

Nevertheless, we remain optimistic about the Karachi stockmarket and expect liquidity to improve; the stockmarket continues to offer value especially after the recent decline.

M. S. WELLS  
2nd March 1992

## RESULTS

	US\$
Income	
Dividend income	75,758
Interest on deposits	268,138
	343,896
Less: Withholding tax	11,351
	332,545
Expenses	663,404
Loss for the period	(330,859)
Loss per share	(0.07)
Net asset value per share	7.41

## DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend.

## DIRECTORS' INTERESTS

As at 31st December 1991, none of the Directors had interests, either beneficially or non-beneficially, in the share capital or warrants of the Company.

A copy of the interim report and any further information is available from the Assistant Secretary, PricewaterhouseCoopers (Asia) Limited, 15th Floor, Hong Kong Diamond Exchange Building, 8-10 Duddell Street, Hong Kong. Contact: Mr M.L. Berman on 846 3310.

## LEGAL NOTICES

## AUTHORITY BANK LIMITED

Notice is hereby given that a meeting of creditors in the above matter is to be held at PricewaterhouseCoopers, 75 Victoria Garden, London EC4M 8AA on the 23rd day of March, 1992 at 10.30 am under Section 142(3) of the Insolvency Act 1986 to receive a report on the conduct of the Administrators under the Insolvency Act 1986 and to consider proposals for its future conduct. Proxy forms, should be completed and returned to me by no later than 12.00 noon on 22 March 1992 if you cannot attend the meeting and wish to be represented.

J. S. Bland  
for the Joint Administrators  
Dated 24th February 1992

CONNECTOR Moulds (SCOTLAND) LIMITED  
(IN RECEIVERSHIP)  
Registered number: 2263558  
Nature of business: Engineering and allied industries.  
Trade description: or  
Date of appointment of joint administrators: 21 February 1992.  
Name of person appointing the joint administrators: National Westminster Bank Plc.  
Joint administrative receiver: (office holder 2128 and 1471) of Giff Giff  
Shelley House  
3 Noble Street  
London EC2V 7DD



## COMPANIES AND FINANCE

## Swedish banks to buy Fermenta unit

By Robert Taylor in Stockholm

A CONSORTIUM of Swedish banks has agreed to buy independent, the financial subsidiary of Fermenta, the Swedish industrial group, for SKr1. The proposed deal will enable Fermenta to continue its other business activities in health care and property.

The preliminary agreement ends two weeks of intensive negotiations between Fermenta and the banks. The talks were the result of independent suffering heavier-than-expected losses last year which halved its share capital.

Under the deal, Fermenta has also agreed to buy for

SKr350m (\$59.3m) independent's 99 per cent stake in Elector, the Swedish property company, and its 13 per cent stake in the Spanish real estate company, AFISA, as well as independent's outstanding loans to Elector.

For its part, independent is selling its shares and options in independent Estates, its English property company, for SKr1 and at the same time relinquishing its remaining claims on Estates which has a book value of around SKr11m.

Through its acquisition of Elector, Fermenta will acquire properties valued at around

SKr700m, although the company said there may have to be a downward adjustment of its assets by between 10 and 20 per cent this year.

Both sides said they hoped the agreement would provide the financial conditions for Fermenta to carry on. The biotechnology company has had a troubled history since it was founded in 1986 by Mr Refaat El-Sayed, who was convicted of fraud and sent to prison.

In November 1989, it launched a bid to become a large finance company when it merged its subsidiary independent with Infina in a deal

worth SKr1.6m. For a time it seemed to have thrown off the stigma of financial scandal with a 128 per cent rise in profits in 1989 to SKr251m.

But by the autumn of 1990 it was being hit badly by the growing troubles in Sweden's finance sector caused by a liquidity squeeze. Last September, Fermenta's chairman and chief executive were forced to resign after failing to report certain share transactions to the Fermenta board and a bank consortium agreed to provide independent with a SKr1m credit line until April 1991.

## US paper group to acquire 11% of Scitex

By Judy Maltz in Jerusalem

INTERNATIONAL Paper, the US paper group, is to buy 11 per cent of Scitex, the Israeli manufacturer of computer imaging equipment, for \$209m. Scitex will sell the New York-based International Paper 4.75m newly-issued ordinary shares in a private placement.

The deal is still subject to the final approval of the respective boards of Scitex's two major shareholders - IDE Holding Company and Clal - and of International Paper. Each group would hold about 11 per cent of the shares in Scitex.

Mr Arle Rosenfeld, Scitex's president and chief executive officer, said Scitex and the imaging products division of International Paper were already considering joint development projects, incorporating Scitex electronic imaging technology with International Paper's film, plate and consumables know-how.

Scitex, Israel's most profitable company, announced a net profit of \$100.6m, or \$2.70 per share, for 1991, an increase of 31 per cent over the previous year.

The company, whose shares are traded over-the-counter in New York, increased its revenues 23 per cent last year to \$430m.

Several months before his death, the late Mr Robert Maxwell had sold his 20 per cent holding in Scitex for \$250m in order to help ease his debt problems elsewhere.

## Canadian developer to bid for stake in stores group

By Bernard Simon in Toronto

CADILLAC Fairview, the Toronto-based property developer, will bid for control of a troubled chain of Canadian clothing stores. The move reflects the ripple effect of the North American retailing slump on shopping mall owners.

The bid will keep the 118-store Grafton-Fraser group in business, including 25 outlets which are key tenants in Cadillac Fairview shopping centres.

CF and a senior Grafton-Fraser executive plan to buy a 50 per cent interest in the chain, which is operating under the protection of the Company Creditors Arrangement Act and has already shrunk to about half its previous size. CF and its partner will provide up to C\$6m (US\$4.6m) in bridge finance to Grafton-Fraser.

Earlier this year, CF and a group of other shopping centre landlords threatened to put Grafton-Fraser into bankruptcy if they were not consulted about the company's restructuring plan.

The developers feared Grafton-Fraser was using the Creditors Arrangement Act, which is similar to Chapter 11 of the US bankruptcy code, to pick and choose which leases to maintain, based on the traffic through individual shopping malls.

The mall developers are especially concerned about the viability of relatively new shopping centres in outlying suburban areas which were built in the latter stages of the last property boom. Many of these malls have high vacancy rates and remaining tenants are having difficulty paying the rents which they locked into three or four years ago.

**American Express and Banamex deal**  
AMERICAN Express and Banamex, Mexico's largest bank, have formed a joint venture, known as Banamex, to provide financial services to the fast-growing Mexican market, writes Diana Fraser.

The new company will start by offering in Mexico an American Express gold card, co-branded with the Banamex name. Mr Roberto Hernandez, the president of Banamex, hoped 500,000 customers would subscribe to the card within three years. Banamex will market the new card in its 715 branches.

## Japanese tyre-makers decline

By Robert Thomson in Tokyo

YOKOHAMA Rubber and Sumitomo Rubber, leading Japanese tyre-makers, reported lower pre-tax profits for the year to end-December, blaming the decline on increased personnel costs linked to Japan's labour shortage and higher interest rates.

Yokohama Rubber said pre-tax profit fell 14.7 per cent to Y12.74bn (\$9.2m), although total sales rose 3.3 per cent to Y295.15bn and sales of tyres rose 4.8 per cent to Y211.6bn, despite the downturn in Japanese car sales last year.

In common with many other Japanese companies, Yokohama reported a fall in liquid assets, particularly in cash,

which declined from Y16.8bn to Y5.35bn. Companies, unable to raise new funds on an ailing stock market and bailing at higher interest rates, tapped their liquid assets.

Yokohama expects the weakness in the Japanese vehicle market to be reflected in slower sales this year, but is hoping new products will stimulate demand.

It said the "difficult conditions" would be exacerbated by an appreciation of the yen and an increase in trade friction.

For the year, Yokohama expects sales to rise by about 3 per cent to Y265bn, with pre-tax profit slightly lower at Y12.5bn, and after tax profit

falling from Y6.9bn to Y6.7bn. Sumitomo Rubber reported a 1.7 per cent decline in pre-tax profit to Y11.54bn on a 3.9 per cent increase in sales to Y254.26bn.

The company said that sales rose for new product lines, particularly tyres for snow conditions, while sales of sports and related equipment advanced 7.5 per cent during the period.

This year, Sumitomo is predicting an almost 8 per cent increase in sales to Y270bn and a slightly higher pre-tax profit at Y12bn.

After-tax profit, which rose 30.2 per cent to Y7.2bn last year is expected to decline to Y6bn.

## Porsche sees profit, but fewer sales

By Andrew Fisher in Frankfurt

MR ARNO BOHN, the chief executive of Porsche who threatened to resign unless the supervisory board renewed his contract beyond the end of this year, said the company faced hard times but would make a profit this financial year.

His statement comes at a time of renewed speculation about the future of the German luxury sports car company. Toyota, the Japanese motor group, denied a report in a German magazine that it had offered DM65m (\$39m) to buy Porsche.

After Mr Bohn's ultimatum, the supervisory board confirmed his contract would be extended for a further three years after December. This was done at a meeting on Wednesday of the non-executive board, which contains representatives of the controlling Porsche and Pich families.



Arno Bohn: speculation over group's future

vious meeting last week that his contract would be extended. Wednesday's vote, which only needed a simple majority, was unanimous.

He said Porsche would sell fewer cars this year than the 25,200 sold in 1991. However, the Stuttgart-based company would gain a new impetus in the mid-1990s with its new sports car, which would be cheaper than those in its present range, though still aimed at wealthy buyers.

In its last financial year to July 1991, Porsche's net profit plunged by 70 per cent to DM17m as a result of both falling sales and provisions of around DM60m to cover future business risks and job cuts. The company is putting 4,000 of its 9,000 employees on short-time work between April and June. It is also shedding 550 production workers.

## Axel Springer to omit dividend

By Christopher Parkes in Bonn

AXEL SPRINGER, one of Germany's leading media groups, will pay no dividend for 1991 because of losses in foreign operations and high start-up costs in the east German newspaper market.

The payout last year was DM12 a share. After-tax profits, which fell to around DM20m (\$12.5m) compared with DM65m in 1991, would be paid into reserves, the company said.

Turnover during the year had increased by only 4 per

cent to DM3.7bn.

Springer last year started a restructuring programme under its new chairman, Mr Günter Wille, which included the closure of a Spanish tabloid newspaper, Clarín.

Later this year, the loss-making Die Welt will move offices from Bonn to Berlin and will be given a complete face-lift aimed at boosting sales, currently 230,000 a day, and lifting advertising revenues.

The paper, a conservative daily, comparable in tone with

The Times in the UK, is believed to lose more than DM40m a year.

While the management wants to brighten up the paper with a new look, comparable with that of USA Today, the editorial staff would prefer to keep the sober image and increase pagination.

The group, in the middle of a DM800m printing press investment programme in east Germany, is also being hit by losses on daily papers taken over in Rostock and Leipzig.

## Nokia registers FM324m loss as sales decline 16%

By Robert Taylor

NOKIA, Finland's leading electronics and telecommunications group, suffered a FM324m (\$72m) loss before financial items last year, compared with a FM711m profit in 1990.

Sales dropped by 16 per cent to FM15.5bn from FM22.1bn in the previous year. This was mainly due to a sharp decline in demand in recession-hit Finland, the cessation of trade with the former Soviet Union, and a weak demand for Nokia's consumer electronic products.

The board proposed cutting the dividend to FM2.00 from FM2.80 per share. Nokia said 1992 would provide good opportunities for growth in many areas, but admitted there was uncertainty about the economic prospects in its main European market areas.

The group's liquidity amounted to FM3.7bn, up from FM3.2bn, while it invested FM88m, or 6 per cent, of its net sales on fixed assets.

Nokia's electronics business division reported a FM230m operating loss last year, against a FM550m profit, while its sales fell to FM5.26bn from FM6.39bn due to falling demand for televisions and video-recorders.

The operating profit fell sharply in the cables and machinery division to FM97m from FM383m in the previous year, and sales declined to FM4.71bn from FM5.35bn.

The group did not reveal details of its financial results in mobile phones and telecommunications but said mobile phones had made a satisfactory return on net assets of between 10 and 20 per cent and telecommunications a "fair" one of between 0 and 10 per cent.

Mobile phone sales rose to FM2.51bn from FM2.33bn. The group strengthened its position as the world's second largest cellular phone manufacturer, increasing its market share.

## Alba seeks sale of stake in Signet Banking

By Tom Burns in Madrid

CORPORACION ALBA, the Spanish holding company controlled by the powerful March family group, is seeking to sell its 14.5 per cent stake in Signet Banking Corporation, the US bank.

The disposal of the conglomerate's financial arm in the US comes in the wake of its plans to raise as much as \$500m (\$770m) from the sale of its electric utility interests in Spain. The move also underlines an apparent strategic shift by Alba aimed at realising as many of its assets as possible.

The March group, run by brothers Juan and Carlos, has denied reports it is seeking to sell its retail banking network, Banco Urquijo.

It is understood, however, to be seeking a partner for its investment banking subsidiary Banco de Progreso, both of which come under the Corporacion Alba umbrella.

Alba's consolidated net profit last year fell to Pta10.4bn. The decline was blamed on the reduced income of its Argoneas chemical group which owns the utilities that have been put on the market.

NRI TOKYO BOND INDEX					
PERFORMANCE INDEX					
	27/02/92	12 mts	12 mts	24 mts	24 mts
Overall	172.05	5.51	170.62	166.65	159.57
Government Bonds	169.00	5.39	167.22	164.95	157.48
Market Bonds	172.15	5.60	172.00	166.99	161.09
Govt-subsidised Bonds	174.10	5.67	173.65	170.16	164.07
Bank Deposits	169.16	5.22	166.59	162.80	156.25
Corporate Bonds	172.72	5.80	172.79	171.33	167.70
Foreign Bonds	172.72	5.80	172.79	171.33	167.70
Government 10-year	5.54	5.63	5.58	5.36	5.36

Source: NRI Research Institute

## Net profits at Rabobank advance to Fl 1bn

By Ronald van de Krol in Amsterdam

RABOBANK, the Dutch co-operative bank, posted a 4.2 per cent rise in net profit last year, about half the rate of growth seen in 1990.

Net profits increased to slightly more than Fl 1bn (\$312.5m) from Fl 971m in 1990, when profit had shown an 8.1 per cent rise.

The Netherlands' second-largest bank, which is not listed on the Amsterdam bourse, said that it was likely to register some profit growth in 1992, despite an expected lower rate of lending.

Gross profits in 1991 were up 5 per cent at Fl 2.15bn. Higher taxes and a bigger allocation to general provisions against risks accounted for the slower rate of growth at the net profit level.

Rabobank described 1991 as a satisfactory year on balance, noting that banking activity and lending were barely affected by the less favourable performance of the Dutch economy.

Lending to the private sector showed a 9.6 per cent rise in 1991, down only slightly from the 10.2 per cent increase in 1990.

However, Rabobank's costs rose faster than revenue, due mainly to higher pay awards in the Netherlands' banking sector.

Total costs were up 13.3 per cent at Fl 4.39bn while total revenue posted an 11.6 per cent gain to Fl 6.57bn.

Rabobank, which is pursuing a cost-cutting programme, said costs were expected to show a slower rate of growth in 1992 than in 1991.

## GFB to offer \$500m of stock overseas

By Damian Fraser in Mexico City

GRUPO Financiero Bancomer (GFB), the holding company comprising Mexico's second largest bank, announced that it is to offer \$500m of its stock in the US and European markets in the coming weeks, in part to enable it to meet a final payment of \$1.75bn due to the Mexican government by April 6.

A group of investors headed by Mr "Don" Eugenio Garza Laguna, whose family owns around 86 per cent of the large

conglomerate Grupo Visa, bought 56 per cent of Bancomer from the Mexican government last year for a sum that has risen to \$2.88bn, after including accumulated interest on outstanding payments.

Grupo Visa in turn owns 60 per cent of Finsa, best known for its breweries that provide Mexico with half its beer.

Mr Laguna's bidding group borrowed \$800m last October from JP Morgan, the US investment bank which is managing

the equity deal, to meet an earlier payment.

The bridge loan was secured against assets in Finsa. Mr Othon Ruiz, chief executive of Visa, said Finsa had received binding proposals in the soft drink and packaging businesses (of Finsa) which would enable them to pay back the bridge loan soon.

Finsa owns the Coca-Cola franchise in Mexico City, the largest such franchise in the world.

## ASSOCIATED ENERGY SERVICES plc

(Incorporated under the Companies Act 1965. Registered in England No 1520323)

SHARE CAPITAL		Issued and fully paid
Authorised	£	£
1,760,000		1,760,000
1,760,000		1,760,000
In Ordinary Shares of 1p each		1,760,000
In Redeemed Shares of 1p each		1,760,000
TOTAL		1,760,000
CAPITAL RESERVE		
RAPHAEL ZORN HEMSLEY LIMITED		
The Company's principal activity is specialist underpinning and piling.		
Application has been made to the London Stock Exchange for the grant of permission to deal in the whole of the issued ordinary share capital of Associated Energy Services plc in the Unlisted Securities Market. It is emphasised that no application has been made for these securities to be admitted to listing.		
Particulars relating to the Company have been circulated in the Event Statement Services and the Companies Fiche Service and are available from EMI Financial Limited, 2nd Floor, 100 Abchurch Lane, London EC4N 3DF. Copies of such particulars may be obtained from the Company Announcements Office of the London Stock Exchange, The London Stock Exchange Tower, Capel Court entrance, 40 Bartholomew Lane, London EC2B 4RT, by collection only during normal business hours up to and including March 4th, 1992. Copies of such particulars may also be obtained during usual business hours on any weekday (Saturdays and public holidays excepted) up to and including March 15th, 1992, from:-		
Raphael Zorn Hemsley Limited		Associated Energy Services plc
100 Abchurch Lane		100 Abchurch Lane
London EC4N 3DF		London EC4N 3DF
March 2nd, 1992		March 2nd, 1992

This notice is issued in compliance with the requirements of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange") it does not constitute an invitation to any person to subscribe for or to purchase any securities.

Application has been made to The Stock Exchange for the ordinary shares, currently dealt in on the Unlisted Securities Market in Dublin to be admitted to the Official List in Dublin and in London.

## United drug

UNITED DRUG plc

(Incorporated in Ireland under the Companies Acts 1903 - 1986 Registered Number 12244)

## INTRODUCTION

10,761,424 Ordinary Shares of IR25p each

The Official List in Dublin and London

arranged by  
Ulster Investment Bank Limitedthrough  
J & E Davy

Details are included in the Companies Fiche Service available from EMI Financial Limited at Finsbury House, 13/17 Finsbury Square, London, EC2A 4DL. Copies of the Listing Particulars may be obtained by collection only during normal business hours up to and including 4 March 1992 from the Company Announcements Office of the London Stock Exchange, London Stock Exchange Tower, Capel Court entrance, 40 Bartholomew Lane, London, EC2B 4RT and from the Company Announcements Office at the Irish Stock Exchange, 28 Angles Street, Dublin 2 and during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 15 March 1992 from the offices of the Company at 32 Upper Fitzwilliam Street, Dublin 2.

2 March 1992

**SLOVENIA**

The FT proposes to publish this survey on March 30 1992. This is the first survey to be published by the Financial Times on Slovenia and as such it will generate a great deal of interest among our financial readers in over 160 countries, worldwide. To reach this audience through your advertisement and to obtain a copy of the editorial synopsis contact Mr. Zdenko Paul Mander, Tel: 01 373 3333 Fax: 01 373 3333

Company Details  
Tel: 01 373 3333 Fax: 01 373 3333

**FINANCIAL TIMES**  
(LONDON'S BUSINESS NEWSPAPER)

**Crédit Commercial de France**  
U.S. \$250,000,000  
Floating Rate Notes due 1994

For the six months 28th February, 1992 to 28th August, 1992 the Notes will carry an interest rate of 4.4773% per annum with a coupon amount of U.S. \$226.36 per U.S. \$10,000 Note. The relevant interest payment date will be 28th August, 1992.

Listed on the Luxembourg Stock Exchange

Bankers Trust Company, London Agent Bank

**CONTRACTS & TENDERS**

**EXPRESSIONS OF INTEREST**  
Sydney Convention and Exhibition Centre  
Operation and Management  
Sydney, Australia

The Darling Harbour Authority, the owner of the Sydney Convention and Exhibition Centre, is seeking expressions of interest from suitably qualified organisations to operate and manage the prestigious Sydney Convention and Exhibition Centre (SCEC).

The SCEC is located at Darling Harbour immediately adjacent to the Central Business District of Sydney. It is Australia's premier exhibition and convention centre offering meeting rooms and facilities for over 3500 delegates, over 25,000m<sup>2</sup> of column free exhibition space and dedicated car parking for approximately 800 cars.

Having commenced operation in 1988 the SCEC attracts leading exhibitions, conventions and events from Australia and overseas. The SCEC is a key component of Darling Harbour, a major tourism, recreational and educational precinct located on Sydney Harbour in the centre of Sydney, Australia's international gateway.

The Darling Harbour Authority's objectives for the management of the SCEC include attracting major international events, increasing the SCEC's penetration of the Australian convention and exhibition market and enhancing the SCEC's contribution to the New South Wales tourism industry.

Interested applicants are invited to register their expressions of interest in the management and operation of the SCEC by 24 April 1992.

For further information including detailed instructions as to the requirements for registering an expression of interest, please contact:

David Poole  
Macquarie Corporate Finance Limited  
Level 22, 20 Bond Street  
Sydney NSW 2000  
Tel: (02) 357 3333 Fax: (02) 237 3656  
International Tel: 61-2-237 3333 Fax: 61-2-237 3656

ADVENTUREMAC82/A

**LEGAL NOTICE**  
AUTHORITY BANK LIMITED

**PERSONAL**  
**NBI**  
YOUR WILL can help so many elderly people who have spent their lives caring for others

...and are now in need of help themselves. A legacy or donation can help towards the cost of nursing home fees, convalescence, winter fuel bills etc. Please ask the NBI to send you details of ways in which you may be able to help us, or send whatever you can spare.

The Secretary, The National Benevolent Institution (NBI), 61 Baywater Road, London W2 3PD.

**Buhrmann-Tetterode N.V.**

herewith informs that written announcements of received notifications as specified in Article 9, Subsection 1 of the Major Holdings in Listed Companies Disclosure Act are generally available at the offices of National Westminster Bank PLC, National Westminster House, Station Way, Crawley, West Sussex RH10 1JE

Amsterdam, 27th February 1992  
Board of Managing Directors







## INTERNATIONAL CAPITAL MARKETS

## INTERNATIONAL BONDS

## Japanese utilities set to test demand

INTERNATIONAL demand for dollar bonds will be tested again this month, following January's new issue glut and a virtual famine in February.

Several big new issues are expected over the next two to three weeks. One source of new paper is likely to be Japan, where the power utilities are preparing to raise funds. Payment date for the bonds will be after Japan's fiscal year-end on March 31, allowing companies to account for the borrowings in 1992-1993.

The three biggest of Japan's nine power utilities, Tokyo Electric Power (TEPCO), Kansai Electric and Chubu Electric, are preparing new issues. Nippon Telegraph and Telephone, the telecommunications utility, is also close to launching a Eurodollar market deal.

Most of these borrowers want fixed-rate yen funding to finance domestic operations. Hence, new Eurodollar issues are likely to be at around the dollar/yen swap rates, where the dollar/yen swap rates are most attractive. Each deal is likely to be of at least \$300m.

There is certainly some demand for shorter maturity Eurodollar bonds from European retail investors. This is based on the view that the US currency will appreciate on the foreign exchange markets over the next few months, presenting holders of dollar bonds with a capital gain.

However, big institutional buyers are keener to buy long-dated paper on the grounds that US bond prices will rise as economic recovery falters and the inflation outlook improves. These buyers of longer maturity bonds were starved of new paper last month. Eurodollar

issues of over five years maturity amounted to just \$2.3bn during February, down from \$6.1bn in January. With this in mind, Japanese borrowers queuing to tap the market may be tempted to launch longer-dated issues, even though swap opportunities are less attractive.

One borrower known to be planning a 10-year issue is the African Development Bank. The supranational lending agency plans to make a \$300m issue, lead-managed by Swiss Bank Corporation, which will be its first foray into the Eurodollar market.

Taken together, the market is anticipating specific new issues amounting to at least \$1.5bn, even before the month has begun. Other regular issuers, such as Credit Local, the French state-backed local authority funding agency, are also likely to issue if underwriting firms can match their funding targets - in this case, around 20 basis points under the London interbank offered rate.

It remains to be seen whether underwriting firms have learned from the sobering experiences of January, when \$3.1bn of new Eurodollar bonds, many aggressively priced, were launched. Market rumour is that some firms are still holding substantial inventories of unsold paper.

British Petroleum has had its Aaa long-term credit rating placed on review for possible downgrade by Moody's Investors Service. The agency said its review would focus on the impact of lower oil prices on BP's financial flexibility.

Simon London

## SYNDICATED LOANS

## Banks become concerned over falling margins

REMEMBER how lending to large companies was meant to be getting profitable again? After the paper-thin margins of the late 1980s, the capital shortage afflicting many parts of the banking industry was meant to have led to a rapid widening in loan margins.

That is the theory. In reality, however, margins on large corporate loans are still far too low to bring banks a profit. And now, it seems, they could be heading down again.

Concern about falling margins is troubling many banks active in London's loans market. The cause of their concern is simple: demand for bank credit remains sluggish, while the potential supply has begun to expand again as banks succeed in rebuilding their battered capital bases.

Lending margins reached a plateau last autumn, having risen almost constantly over the previous 12 months. As a rough norm, banks are now lending money in the public syndicated loans market at a

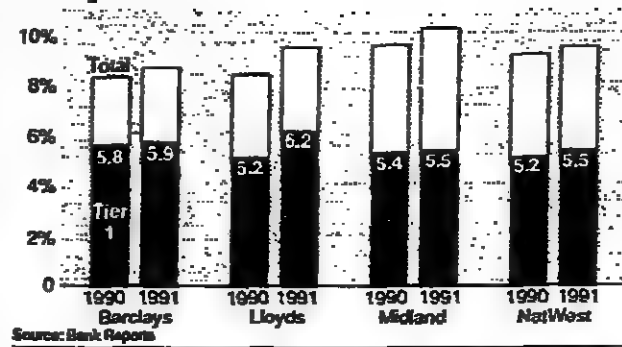
spread of 1/2 percentage point (50 basis points) over the London Interbank Offered Rate - though that margin widens substantially for companies whose credit standing has weakened during the recession, or where the lending is project-related or otherwise non-standard.

At 1/2-point, no banks are making money - though after tortuous internal arguments about cross-subsidisation, many can make an argument for staying in the loans business. The provision of a standby facility is a necessary part of the overall range of services provided to a customer, runs this argument: provided the overall relationship is profitable, there is no harm lending money at a loss.

Most banks reckon they need a margin of between 1.2 and 1.4 per cent to break even on lending to large corporates. According to Mr Alan Moore, head of corporate banking at Lloyds Bank, a spread of 0.75 to 0.80 per cent is needed just to cover

## Capital ratios

Risk weighted



cost of the bank's capital needed to support its lending. Even that is after a fall in the bank's cost of capital recently, from around 18 per cent to perhaps 15 per cent, he said.

Add in a margin to cover a bank's costs, the need to build a reserve against future bad loans and a retention to allow for future growth, and the overall cost of lending rises to

well over 1 percentage point. The recovery in bank capital margins could fall again. Over the last 10 days, the UK's four biggest banks have all reported an improvement in their capital ratios. For all four, the key tier-one ratio of core capital to risk-weighted assets improved during 1990, with all of them now at or above the psycholog-

ically important 5.5 per cent level.

Also, some foreign banks in London are still reported to be willing to take loans at cut-price rates. "The problem is, there are still too many banks around, and some of them are still looking for marginal income," said Mr Moore.

The demand for credit, meanwhile, is being held back in part by the slow pace of any economic recovery in the UK and US. Many banks in London were last autumn projecting a rise in loan demand this spring; the more prudent are now predicting demand will be slight until at least the autumn.

Meanwhile, many of the four and five-year multiple option facilities (MOFs) negotiated at fine rates by UK companies in the 1980s mature over the next two years. As these are renegotiated at higher rates, banks can look for an improvement in the overall margins on their loan portfolios. However, the renegotiations are likely to

have a perverse side-effect, if anything helping to push banks' margins down. With commitment fees (paid by companies on the undrawn part of facilities from banks) almost non-existent at the end of the 1980s, at one stage touching just five basis points, many companies took larger standby facilities than they needed, reasoning there was no harm in having a guaranteed supply of credit on hand.

Now, though, commitment fees, like loan margins, have risen, and companies are shrinking their standby lines. The result: a substantial release of bank capital that had been tied up in standby facilities (banks have to set aside half the usual level of capital for undrawn facilities.) That may drive margins down.

There is, in short, no sign of the recovery in bank margins continuing, unless economic conditions - and loan demand - recover strongly, and soon.

Richard Waters

## NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
<b>US DOLLARS</b>							
Sumitomo Cement	150	1996	4	3	100	Nomura Int.	3.000
Republic of Austria	400	2002	10	7 1/2	99.58	Deutsche Europ.	7.881
Alisa No. 2 (off)	120	1997	5	5	100	Nomura Int.	-
Abbey Nat. Trust Services (off)	100	1998	8	7	100.155	Lehman Bros.	-
Autobacs Seven	100	1996	4	3	100	Nomura Int.	3.000
Esara Corp. (off)	150	1996	4	3	100	Nomura Int.	3.000
Alto Paraiso (off)	40	1995	3	12	97.575	Yamauchi Int. (Europe)	13.028
Guinness Finance	200	1995	3	8 1/2	101.055	JP Morgan Secs	8.116
ANZ Banking Group (off)	125	1995	3	(m)	100	Salomon Brothers	-
Clitbank Brazil (off)	100	1996	6	9 1/4	99.455	Citicorp Inv. Bk.	5.980
Sumitomo Int. Fin. Aust. (off)	50	2002	10	(a)	101.875	Sumitomo Fin. (Asia)	-
<b>STERLING</b>							
Abbey Nat. Sterling Cap. (off)	100	2002	9.833	10 1/4	100.55	BZW Secs.	10.206
Halifax Building Soc. (off)	100	2014	21.697	11	100.467	Warburg Secs.	10.698
Skipsco B.S. (off)	25	(p)	(p)	12 1/2	100.476	Hosco Govt.	-
Great Portland Est. (off)	30	2021	28.5	10 1/4	103.924	Baring Bros.	10.573
<b>ECU</b>							
Council of Europe (off)	135	1994	1.833	9 1/2	100 1/2	Lehman Bros.	0.037
Nishinbo Industries	100	1996	4	4 1/4	100	Nikko Europe	4.476
KfW Int. Finance (off)	150	1997	5	8 1/2	(v)	Deutsche Bk. Cap Mkts	-
Eurolina (off)	75	1998	7.417	9 1/2	102.725	Deutsche Europ.	8.107
<b>CANADIAN DOLLARS</b>							
Bell Canada	125	1997	5.25	8 1/4	101.95	UBS	8.387
Prov. of New Brunswick	200	2002	10	8 1/4	101.455	Merrill Lynch Int.	8.918
<b>AUSTRALIAN DOLLARS</b>							
Deutsche Bk. Australia	125	1997	5	9 1/4	101.625	Deutsche Bk. Cap Mkts	8.230
Soc. Generale Australia	100	1995	3	9 1/4	101.50	Merrill Lynch Int.	8.908
<b>LIRE</b>							
Int. Bancario San Paolo Lm.f	2000m	1997	5	11.7	101.80	Int. Banc. San Paolo	11.210
<b>D-MARKS</b>							
Osaka Uchida	100	1998	4	4 1/4	100	Nomura Bk. GmbH	4.375
Sasasa Plastik	100	1996	4	4 1/4	100	Yamauchi Bk. GmbH	4.375
Toyota Motor Credit	200	1995	3	8 1/4	101.95	Deutsche Bk.	7.823
Footwork Int. Corp.	60	1995	4	4.375	100	Deutsche Eur. (Deutschl.)	4.375
<b>YEN</b>							
Mitsubishi Estate (off)	300m	1998	7.5	8	100.30	Nikko Europe	8.342
Toast	200m	1997	7.5	5.7	101.525	Yamauchi (Europe)	8.301
Sumitomo Metal Ind. (off)	200m	1996	7.5	5.5	101.55	Nikko Europe	8.307
Sumitomo Metal Ind. (off)	100m	1997	7.5	5.75	101.75	Daiwa Europe	8.553
Sumitomo Realty & Dev. Co. (off)	30	1997	5.25	8	101.80	Daiwa Europe	8.558
Sumitomo Realty & Dev. Co. (off)	20	1998	4.25	6	101.625	Nikko Europe	8.582
Sumitomo Realty & Dev. (off)	10	1997	5.25	(f)	100	Salomon Bros. Int.	-
<b>SWISS FRANCES</b>							
Osaka Bearing (off)	20	1996	-	3 1/2	100	Nikko (Switz) Fin.	3.875
SLB of Switzerland	75	1997	-	6 1/4	101 1/4	SSC	8.450
Aoyama Trading (off)	450	1995	-	8	100	SSC	3.023
Totoku Kogyo (off)	40	1998	-	3 1/2	100	Yamauchi Bk. (Switz)	3.825
Tjwi Kinia (off)	50	1997	-	5	100	Credit Suisse	4.986
<b>LUXEMBOURG FRANCES</b>							
Bque. Bruxelles Lambert (off)	3m	2004	12	8 1/2	37 1/4	Credit European	8.877
Credit European	1m	2002	10	8	102.30	Credit European	8.817
Renault Credit Ind. (off)	1m	1995	3	9 1/4	102 1/4	Credit Lyonnais Lux.	8.296

## EUROMARKET TURNOVER (\$m)

	Primary Market	Secondary Market
Fixed income bonds	889.8	1,509.2
Euro straight	889.8	1,509.2
Other straight	0.0	0.0
Convertible	0.0	0.0
Money market inst.	918.0	0.0
CD's	185.0	8.7
Short & MT Notes	16,868.8	8,277.4
Warrants	0.0	0.0
Equities	44.8	0.0
Total	18,287.0	8,286.7
Week in February 92	23,480.7	97,064.7
The Warrants and Equities figures are from Euroclear only	67,181.5	108,078.0

Source: IBMA

**New Issue** February 1992

**A/S Eksportfinans**

**ECU 250,000,000**

**8% PER CENT NOTES DUE 1996**

**ISSUE PRICE 101 1/2 PER CENT**

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Bankers Trust Company, London Agent Bank

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2nd March, 1992 Security Pacific National Bank, London - Agent Bank

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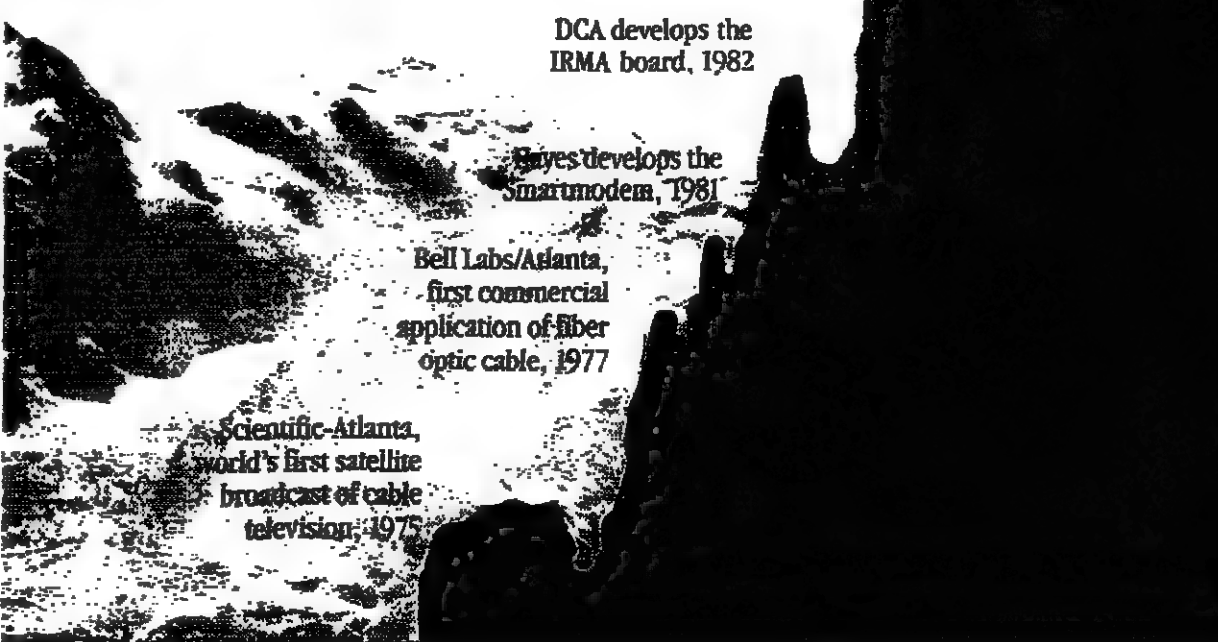
Ami Pro, first Windows™ based word processing software, 1989

DCA develops the IRMA board, 1982

Bayes develops the Smartmodem, 1981

Bell Labs/Atlanta, first commercial application of fiber optic cable, 1977

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Continued on next page

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کتابخانه







## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

**Continued on next page**



**NASDAQ NATIONAL MARKET**[illegible]

## 4:00 pm prices February 28

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April 3 1992.

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## FT SURVEYS

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**FT SURVEYS**



## MONDAY INTERVIEW

## Striving to reach Sanctuary

Jack Straw, the Labour party's education spokesman, talks to Andrew Adonis

Where Mr Jack Straw to take a month off to write his autobiography, it might appear under the title Shadow Boxing: from President of the National Union of Students to chief opposition spokesman on education and science.

Not an obvious best-seller, but it graphically highlights the personal stakes involved in the coming election. Mr Straw, 45, an MP for 13 years and in politics all his adult life save for a brief spell at the bar, has yet to sit on the government benches, let alone hold office. He is not alone. Most of the shadow cabinet have never exercised power, and Mr Straw, Mr Blair and Mr Gould – not to mention Mr Kinrock – have little stomach for another five years slogging away in opposition.

The son of a Nonconformist conscientious objector, Mr Straw is still remembered by some as a student union firebrand. The acid tongue has not deserted him. Even colleagues were taken aback by his television denunciation of Mrs Margaret Thatcher as "evil" on the eve of her resignation. Recent accusations that Kenneth Clarke, the education secretary, was telling "lies of Goebbels proportions" about Labour education plans were far from the course.

Yet for the most part, Mr Straw is a dedicated student of Moderation and Respectability. He talks of "the break-up of the traditional categories [among Labour MPs], reflected by the collapse of the Campaign Group", the fact that "the Tribune Group is now the establishment of the party", and places himself in the party's "solid centre". Social solidarity has come too. With his wife Alice – a senior civil servant – and family, he decamps as often as possible to a cottage in Minister Lovell, on the edge of Oxfordshire's Cotswolds, and is a stalwart of the parish church. The motto of his old school, Brentwood, says it all: "Virtue, Learning and Manners".

The Church Times was relieved to will religious church schools, at least, are safe in Labour's post-election hands. "They help to provide the moral and ethical framework without which education is sterile," Mr Straw told it. But much more than religious education will stay in place if Mr Straw takes charge of Sanctuary Buildings, the education department's palatial new offices in Great Smith

Street. Of the 35,000 state schools in England and Wales, only the 15 city technology colleges, 138 grant-maintained schools and 150 grammar schools need fear for their futures. The national curriculum, pupil testing, league tables, teachers' pay review body and local management of schools are all here to stay. Polytechnics will not be returned to local government, and they will still be able to call themselves universities. As for private schools, their 30,000 state-funded assisted places will go, but otherwise they will let alone hold office. He is not alone. Most of the shadow cabinet have never exercised power, and Mr Straw, Mr Blair and Mr Gould – not to mention Mr Kinrock – have little stomach for another five years slogging away in opposition.

Mr Straw eschews dogma, dubbing his attitude to teaching methods "fairly catholic". "I am fairly and squarely with the teaching method that works," he says. "Part of the Tories' problem is they think all the time about what happened in their own prep schools." He insists that "you won't get improvement if you simply treat teachers as technicians. We need to turn teaching into an accountable profession. Accountable to whom? To parents, to the governing body, to the public."

As for his determination to ban all forms of selection in the state sector, he says: "The comprehensive ideal is that you should comprehensively cater for children of every ability range." And that means "ensuring that state schools do cater comprehensively for very bright children". So not only will fast-tracking and master classes be encouraged, but part of the money saved from assisted places will go on "centres for gifted children".

Setting and meeting national standards is Mr Straw's continual refrain: "Ministers should be setting the standard and making sure it is achieved." An Educational Standards Commission, to run a national inspectorate and set national targets, is a central plank of his programme. He contrasts it with Mr Clarke's bill – assailed from all sides – to allow schools to pick and pay their own private inspectors.

How will Labour tackle Britain's poor staying-on rates among 16-year olds? "We are going to set national targets, and translate these targets locally and for each school and college within the locality. Through these imperatives of targets and funding you change the culture." It all sounds rather centralist. Local councils, he says, are important "for planning the



Lydia van der Meer

## 'Accountable to parents, governors and the public'

system locally and managing it in a hands-off way". But he wants "a single standard of inspection for all local authorities", and a single national service to embrace all inspectors. A new "Advanced Certificate in Education and Training" (ACET) also features prominently in Labour's manifesto. Its aim is to span the divide between post-16 academic and vocational studies, by offering modular courses on both sides. "The hard part is to allow students to mix and match," says Mr Straw, but he insists "there will still be a recognisable five-level A-level within it [the ACET]". The current plan is to

## PERSONAL FILE

1946 Born Buckhurst Hill, Essex. Educated Brentwood School, Essex, and Leeds University.  
1968-71 President, National Union of Students.  
1973-74 Deputy Leader, Inner London Education Authority.  
1974-77 Special Adviser to Labour government social services and environment secretaries.  
1979 Labour MP, Blackburn.  
1987 Elected to Shadow Cabinet; Opposition Education Spokesman.

modularise A-levels by year, while moving to a broader five-subject curriculum on the lines of the Higgsman report. So three A-levels will become 10 modules, each of them requiring a written exam.

But Mr Straw is not concerned only with exams. The academic/vocational divide is perpetuated right through government at the moment," he says, and he wants a single curriculum council to span the chasm between the education and employment departments. The current state of vocational qualifications – "the obsession with competences" – concerns

him. "You are ending up with people who are too narrowly trained," he says. He wants vocational qualifications broadened and given more rigour.

How much will Labour spend on improving school standards? Mr Straw is coy. Apart from shifting money from the city technology college programme to nursery schools, the only immediate spending commitments are to put an end to primary classes of more than 40 and to abolish outside toilets – neither of them widespread. Beyond that, all spending is "as resources allow, in the famous phrase".

It is the same for higher education. Loans are to go, and the student grant made up to its 1990 level in real terms. "But there is not any way out of the parental contribution towards student maintenance", and though he recognises that much of the higher education infrastructure – particularly the polytechnics – is dilapidated, improvements will only come – as resources allow.

However, Mr Straw is happy with the emerging three-tier structure of teaching, research and mixed universities, and will not change it. "I was against the rigid classification of institutions," he says, but "the inevitable consequence" of ending the division between polytechnics and universities will be "much greater differentiation in higher education", and the massive projected increase in student numbers is "bound to come" largely in the non-research universities.

Mr Straw bridges at any idea that Labour is simply endorsing government policies. But he is not slow to daub the Tories with Labour policies that may prove unpopular. In a policy statement announcing Labour's plans to abolish the remaining grammar schools last week, he was at pains to point out not merely that the Tories themselves had closed

106 grammar schools since 1979 "without a peep from John Major or Kenneth Clarke", but that Mrs Thatcher had shut 363 in her three years as Ted Heath's education secretary in the early 1970s – while Shirley Williams, her Labour successor, had managed to disband a paltry 205 in a similar period.

It is the same with the independent schools. Mr Straw believes his policies will raise standards in the state sector so high that only "snobs and eccentrics" will thereafter want to go private. Yet he often cites the views of the Headmasters' Conference and the Girls' School Association in support of Labour's policies on curriculum reform.

If the election comes up in triumph, how long does Mr Straw see himself in Education? "Quite a long time. I feel reasonably well trained for it, and I would like to be around to take the consequences of what I do. Now that would be a significant change from the current regime."

## The drawbacks of shock therapy



MICHAEL PROWSE on America

In the dark ages of psychiatry, doctors believed that electric shocks could cure depression. The bigger the convulsion the better; the patient would recover that much quicker.

The professionals keenest on electroshocks today are economists. In Russia and eastern Europe, western advisers are experimenting with an economic form of shock therapy. This consists of austere fiscal and monetary policies to curb demand coupled with the most rapid possible freeing of prices and markets to raise efficiency.

The fashionable view is that capitalism can best be reached in a single "Big Bang". In Washington last week, the style every negative indicator was expounded with messianic zeal by Mr Anders Aslund, a Swedish member of Professor Jeffrey Sachs's stable of advisers to Russia.

Economic shock therapy has certainly produced impressive convulsions. In eastern Europe, it has led to falls in production of a third or more, huge increases in unemployment and severe distress for the weakest groups in society such as pensioners. Wealth and income inequalities have soared. Shock therapists like Mr Aslund are unfazed. The big falls in output – which they did not anticipate – are dismissed as "inevitable".

Indeed, in true Panglossian style every negative indicator is construed as a sign of progress: the collapse of state enterprises, for example, simply increases the scope for private business to flourish. The goals of shock therapy are not in question: we all want to see strong, market economies emerge in eastern Europe and the former Soviet republics. But some experienced economists are beginning to wonder whether different tactics would be more effective. The most obvious danger is that economic dislocation will undermine progress by provoking a political backlash. This has already happened in Poland, which has backed away from the IMF's adjustment programme. Czechoslovakia is restive. The future of young radical reformers in Moscow is in doubt.

Professor Milan Matejka, of the Prague School of Economics, is bitterly critical of Mr Aslund's approach. He says Mr Aslund deepened the slump with unnecessarily tight macro policies (Czechoslovakia, unlike Poland, never faced a hyperinflation). And he complains that western journalists convey far too flattering a picture of progress in eastern Europe because they rely too heavily on *pari passu* sources – government officials and their western advisers.

Mr Edward Bernstein, a participant at the 1994 Bretton Woods conference and the IMF's first research director, says the shock therapists have done a "miserable job" in eastern Europe because they have forgotten "the lessons of the post-war reconstruction of western Europe". The most important was that liberalisation had to occur in measured steps. Full exchange rate convertibility, for example, was not achieved until the late 1980s. This reflected the need to rebuild industrial capacity before opening the floodgates to consumer imports. Just imagine how Britain would have fared if it had swept away all rationing and controls in the late 1940s in an attempt, immediately, to achieve US-style economic freedom.

Mr Eugenio Lora, until recently head of World Bank operations in eastern Europe, agrees that "the pace of certain reforms was over-ambitious". He says reformers have tended to be "overly purist" in advocating "total free-market liberal capitalism". Coming from

Italy, he understands that subsidies, budget deficits and a big state sector – while regrettable – do not rule out rapid growth. Long development experience makes him uneasy with the gibes of the youthful reformers: "we should confess to doubts and ignorance... nobody understands these transitions," he says.

Shock therapists reject comparisons with the rebuilding of Europe, on the grounds that former communist countries lack the basic framework of a market economy. The point of rapid trade liberalisation is to import, a price and incentive structure. But this argument cuts both ways. The fact that centrally planned economies lack the institutions, skills and legal framework of capitalism surely enhances the case for step-by-step reforms. So does the experience of Hungary, which has opted for gradual economic reform, eschewing shock therapy even after communism collapsed. It continues to nurture the state sector, privatises judiciously and maintains currency controls. The result: less of a drop in living standards than elsewhere and stronger foreign investment.

Eastern Europe and the former Soviet republics can surely also learn a lesson from economic development in Asia. South Korea and the others were desperately poor and also lacked the infrastructure of an advanced market economy. Did they opt for shock therapy? Of course not. Policy was dedicated to gradually building up real-world business skills and the strength of particular manufacturing sectors, partly by providing explicit incentives for export imports, domestic consumption and finance were closely controlled for decades.

There is a world of difference between this kind of planned development, making careful use of markets, and a rush towards the idealised world of free market textbooks. The former communist economies have to plough their own furrow, but they should realise that shock therapy is far from a proven remedy. A little humility on the part of the therapists would be welcome.

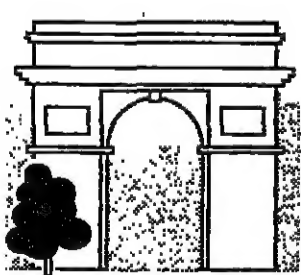
## Delors clad in shining armour

Unless a miracle turns up, the Socialist administration of French President Francois Mitterrand seems doomed to go down the tube in 1993. Next month's regional elections are virtually certain to pass a damning verdict of rejection; and the sentence of dismissal will be carried out a year later in the general elections of 1993.

Curiously, quite a few people seem to think there could be a miracle waiting just over the horizon. In the shape of Mr Jacques Delors, president of the European Commission. Last summer he began to emerge in the opinion polls as everybody's favourite politician; his popularity has now reached the level of apotheosis, and some commentators apparently believe that he will be cast in a starring role in a last-minute rescue drama.

The common prediction is that he will be appointed prime minister, replacing Mrs Edith Cresson, shortly after next month's regional elections. His international stature and his identification with solid social-democratic values should enable him to reverse the calamitous decline in the government's popularity. Even if he cannot avoid ultimate defeat in 1993, he might limit the damage.

In scene two, Mr Delors goes on to succeed President Mitterrand. After his spectacular re-entry to the French political scene, he would be well placed to win the presidential elections in 1995. He would then call new general elections, which would bring the Socialists back to power. QED, or (as the French say) QGPD, or (as a variant of this scenario has a go-faster script, in November, President Mitter-



IAN DAVIDSON on Europe

rand holds a referendum to shorten the presidential term from seven to five years. He announces that he will apply this constitutional reform to himself. This precipitates an early presidential poll, before the scheduled parliamentary elections; Mr Delors is triumphantly elected president, and the Socialists sweep back into power on his coat-tails.

All this smacks of wishful thinking. After 11 years in power, it would be hard for the Socialist party to make a winning come-back. It has largely run out of political credit, and too many of its politicians are stained by the charges of corruption that used to stick to the conservatives. Mr Delors is popular partly because he has been out of French politics since 1985; but it is not clear how he could resuscitate the party's reputation.

Opinion polls say Mr Delors would be the strongest Socialist candidate in a presidential election, able to beat any plausible candidate from the conservative opposition. The trouble is that Mr Michel Rocard got there first; he is already the party's "virtual" presiden-

tial candidate, and even if the back-stairs agreement endorsing his candidacy is not formally binding, he will almost certainly run. If Mr Delors decided to stand against him, he would split the Socialist party, with possibly damaging effects on the outcome.

Mr Delors says he is far too busy to think about running. He intends to stay in Brussels until his contract runs out at the end of the year, and he might stay longer if asked. Yet it is widely believed that if President Mitterrand were to send for him, he would obey the call of duty.

A prudent man would stay where he is for as long as possible. His most sensible strategy would be a waiting game, clearer the only summons that would serve his interests would be a call from the Socialist party, since that would mean that Mr Rocard was prepared to stand down. As it happens, he might well have the option of staying at the Commission for a two-year extension, which would take him conveniently up to the eve of the 1995 presidential elections.

These speculative games are fun to play, and all French commentators love playing them. But the fascinating complexity of the possibilities of political manipulation should not be allowed to obscure aspects of deeper significance.

First, the unstated assumption behind these games is the extent of the powers monopolised by the president: he and he alone pulls all the strings, and he chooses when to pull them. These powers are not spelled out in the constitution; but custom and precedent give the president great latitude.

President Mitterrand has taken full advantage of his opportunities; and the consequence is that when things go wrong, it is the president who is held responsible.

Second, there must be a lesson to be drawn from the fact that the French people's preferred white knight is Mr Jacques Delors. Clearly, a well-known, competent, successful – he is all these things; but it is not enough to explain his standing in the polls. Only one thing sets him apart from most other contenders: he is a man with strong convictions.

This cannot be said of the Socialist party, which abandoned a crude form of socialism nearly 10 years ago, and has since relapsed into stodgy respectability. The moderate conservative parties are just as dull. The only strong convictions today come from the protest parties, and it is working wonders for their voter appeal: between them, the ecologists and the extreme right-wing National Front should get more than 27 per cent in next month's regional elections.

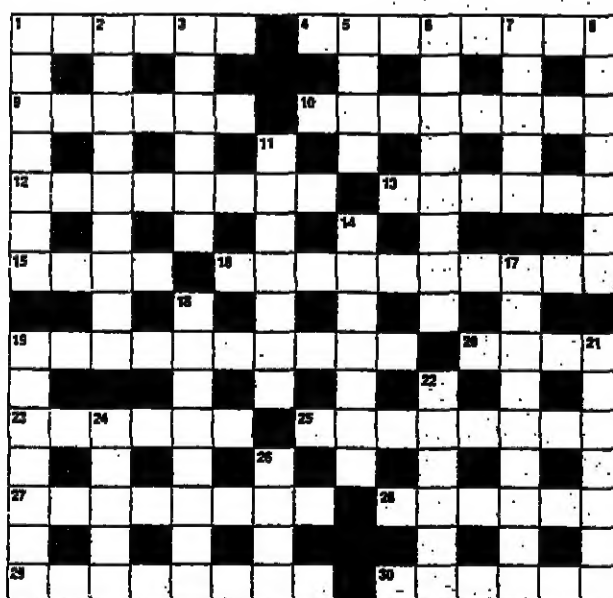
Presumably, French voters want Mr Delors because a man who has answers for Europe must surely have answers for France as well. Unfortunately, the logic is faulty. The nation state continues to be the main locus of political action; but the Community exists because the nation state no longer provides as many good answers as it used to. The biggest worry for the French is unemployment; but if the answer is faster growth, it cannot be delivered from Paris. Mr Delors knows all this better than any one; but he probably still suffers from the national illusion – after all, he is French.

How to get 3 across. Note a clue. Fly Upper Class to Boston before April 30th and we'll give you 2 economy tickets free. Easy, eh? So what's the mystery? Call 0800 747 747.

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- ACROSS
- Received a hero's treatment when landed (6)
  - Announce that one is no longer I down? (8)
  - Garden flower periodical (6)
  - He works so that others may play (8)
  - Mummy's nationality (8)
  - A fair game (4,2)
  - Rebel king I turn to (4)
  - But it doesn't stretch to music (6,4)
  - Made bed in earth and wintered there (10)
  - Money for one on the staff (4)
  - Kitchenware formula for success? (6)
  - Means a woman has reversed and changed gears (8)
  - It could be indeed so unfair (3,5)
  - Do this in arithmetic to rule (6)
  - One girl I converted to the faith (8)
  - Like a seabird following a ship (8)

- DOWN
- He gains nothing but pleasure from his activities (7)
  - Is it used to keep a beehive healthy in place? (8)
  - The Actor's new cook's (8)
  - Area said to be uncultivated (4)
  - Storage place for a trophy on the table (8)
  - Maybe Poe's a past expert at telling fabulous tales (6)
  - She comes to a fishy end (7)
  - Living in the wild, not a flat (7)
  - Keep giving notice (7)
  - One is glad to be so close (8)
  - Youth with no head for multiplication (8)
  - Port bar is rebuilt in time (7)
  - Point to a back from Orient (6)
  - Goes around foreign bistro (6)
  - Basket a Red Indian left (8)
  - Hour of the balloon's ascent (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday March 14.

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Period	Peak	Off-peak	Day
1991	12.94	17.18	17.18
1992	12.94	17.18	17.18
1993	12.94	17.18	17.18
1994	12.94	17.18	17.18
1995	12.94	17.18	17.18
1996	12.94	17.18	17.18
1997	12.94	17.18	17.18
1998	12.94	17.18	17.18
1999	12.94	17.18	17.18
2000	12.94	17.18	17.18
2001	12.94	17.18	17.18
2002	12.94	17.18	17.18
2003	12.94	17.18	17.18
2004	12.94	17.18	17.18
2005	12.94	17.18	17.18
2006	12.94	17.18	17.18
2007	12.94	17.18	17.18
2008	12.94	17.18	17.18
2009	12.94	17.18	17.18
2010	12.94	17.18	17.18
2011	12.94	17.18	17.18
2012	12.94	17.18	17.18
2013	12.94	17.18	17.18
2014	12.94	17.18	17.18
2015	12.94	17.18	17.18
2016	12.94	17.18	17.18
2017	12.94	17.18	17.18
2018	12.94	17.18	17.18
2019	12.94	17.18	17.18
2020	12.94	17.18	17.18
2021	12.94	17.18	17.18
2022	12.94	17.18	17.18
2023	12.94	17.18	17.18
2024	12.94	17.18	17.18
2025	12.94	17.18	17.18
2026	12.94	17.18	17.18
2027	12.94	17.18	17.18
2028	12.94	17.18	17.18
2029	12.94	17.18	17.18
2030	12.94	17.18	17.18

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